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HEXCEL CORP /DE/
Form DEF 14A
April 22, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF
THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant /X/
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Check the appropriate box:

- / / Preliminary Proxy Statement
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HEXCEL CORPORATION

(Name of Registrant as Specified In Its Charter)

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HEXCEL CORPORATION
TWO STAMFORD PLAZA
281 TRESSER BOULEVARD
STAMFORD, CONNECTICUT 06901-3238

April 21, 2003

Dear Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders on Thursday, May 22, 2003 at 10:30 a.m., in the Community Room, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, Connecticut.

Details of the business to be conducted at the annual meeting are given in the attached Notice of Annual Meeting of Stockholders and the attached proxy statement.

Whether or not you plan to attend the annual meeting, please complete, sign and date the enclosed proxy card and return it promptly in the accompanying reply envelope. If you decide to attend the annual meeting and wish to change your vote, you may do so by voting in person at the annual meeting.

We look forward to seeing you at the annual meeting.

Sincerely,

/s/ David E. Berges

David E. Berges
CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE
OFFICER
AND PRESIDENT

[LOGO]

HEXCEL CORPORATION
TWO STAMFORD PLAZA
281 TRESSER BOULEVARD
STAMFORD, CONNECTICUT 06901-3238

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 22, 2003

The Annual Meeting of Stockholders of Hexcel Corporation will be held in the Community Room, Two Stamford Plaza, 281 Tresser Boulevard, Stamford,

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Connecticut, on May 22, 2003 at 10:30 a.m. Stockholders will be asked to vote on the following matters:

1. To elect ten individuals (H. Arthur Bellows, Jr., Joel S. Beckman, David E. Berges, Sandra L. Derickson, James J. Gaffney, Sanjeev K. Mehra, Lewis Rubin, Peter M. Sacerdote, Robert J. Small and Martin L. Solomon) to serve as directors until the next annual meeting of stockholders and until their successors are duly elected and qualified.

2. To ratify the appointment of PricewaterhouseCoopers LLP as independent accountants for 2003.

3. To transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 31, 2003 will be entitled to vote at the meeting and any adjournments. A list of these stockholders will be available for inspection at the executive office of Hexcel and will also be available for inspection at the annual meeting.

By order of the Board of Directors

/s/ Ira J. Krakower

Ira J. Krakower

Senior Vice President, General Counsel
and Secretary

Dated: April 21, 2003

YOUR VOTE IS IMPORTANT. PLEASE SIGN, DATE AND COMPLETE THE
ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED
PRE-ADDRESSED, POSTAGE-PAID, RETURN ENVELOPE.

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HEXCEL CORPORATION

TWO STAMFORD PLAZA
281 TRESSER BOULEVARD
STAMFORD, CONNECTICUT 06901-3238

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 22, 2003

THE MEETING

GENERAL

We are providing this proxy statement to our stockholders in connection with the solicitation of proxies by our board of directors for use at the annual meeting to be held in the Community Room, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, Connecticut, on May 22, 2003 at 10:30 a.m., and at any adjournments. Each copy of this proxy statement is accompanied by a proxy card for use at the annual meeting.

MATTERS TO BE CONSIDERED AT THE MEETING

The proposals to be considered and acted upon at the annual meeting are summarized in the accompanying Notice of Annual Meeting of Stockholders. Each proposal is described in more detail elsewhere in this proxy statement.

The board of directors does not intend to bring any matter before the annual meeting except as described in the attached notice. The board of directors is unaware of any matter that anyone else intends to present for action at the annual meeting. The persons named on the enclosed proxy card, or their duly

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constituted substitutes acting at the annual meeting, will be authorized to vote at their discretion on any matters unknown at this time which properly come before the meeting.

RECORD DATE; VOTING RIGHTS

The board of directors has fixed the close of business on March 31, 2003 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting. This proxy statement and the enclosed proxy card are being mailed on or about April 21, 2003 to holders of record of Hexcel common stock, Hexcel series A convertible preferred stock and Hexcel series B convertible preferred stock on the record date. We refer to the series A convertible preferred stock and series B convertible preferred stock as the "series A preferred stock" and "series B preferred stock," and we refer to the series A preferred stock and the series B preferred stock together as the "preferred stock." We refer to the common stock and the preferred stock together as Hexcel's "capital stock." On the record date, there were 38,643,766 shares of Hexcel common stock outstanding held by 1,361 stockholders of record, 125,000 shares of series A preferred stock outstanding held by ten stockholders of record and 125,000 shares of series B preferred stock held by ten stockholders of record. Each share of Hexcel common stock entitles the holder to one vote on each matter to be acted upon at the annual meeting. Each share of series A preferred stock could, at the holder's option, be converted into

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333 1/3 shares of common stock, and therefore entitles the holder to 333 1/3 votes on each matter to be acted upon at the annual meeting. Each share of series B preferred stock could, at the holder's option, be converted into 65.206 shares of common stock, and therefore entitles the holder to 65.206 votes on each matter to be acted upon at the annual meeting. We refer to the number of votes a share of capital stock is entitled to cast as its "voting power" and the aggregate of all votes entitled to be cast by a holder of capital stock as that holder's "total voting power." In calculating the number of shares of common stock into which a holder's preferred stock may be converted, any fractional shares (after aggregating all such shares of such person being converted) will be disregarded for purposes of calculating the holder's total voting power.

The presence, either in person or by proxy, of the holders of outstanding common stock and preferred stock representing a majority of the total voting power of Hexcel entitled to vote at the annual meeting is necessary to constitute a quorum at the annual meeting.

Investment entities controlled by The Goldman Sachs Group, Inc., which we refer to as the "Goldman Sachs investors," hold common stock and preferred stock that together represent approximately 37.7% of Hexcel's total voting power. Affiliates of Berkshire Partners LLC and Greenbriar Equity Group LLC, which we refer to collectively as the "Berkshire/Greenbriar investors", hold preferred stock representing approximately 35.1% of Hexcel's total voting power. The Goldman Sachs investors acquired their common stock in December 2000 from Ciba Specialty Chemicals Holding Inc. The Goldman Sachs investors acquired their preferred stock on March 19, 2003 directly from Hexcel. The Berkshire/Greenbriar investors also acquired their preferred stock on March 19, 2003 directly from Hexcel. We refer to the issuance and sale of preferred stock by Hexcel to the Goldman Sachs investors and to the Berkshire/Greenbriar investors on March 19, 2003 as the "preferred stock sale."

The Goldman Sachs investors are subject to restrictions regarding how they can vote their shares of capital stock under the terms of a governance agreement they entered into with us. The Berkshire/ Greenbriar investors are subject to restrictions regarding how they can vote their shares of preferred stock under the terms of a stockholders agreement they entered into with us. In accordance

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with these restrictions, each of the Goldman Sachs investors and the Berkshire/Greenbriar investors have indicated they will vote their shares of capital stock in favor of each of the nominees for election to the board of directors and in favor of the other proposal described in this proxy statement.

PROXIES

All shares of Hexcel capital stock entitled to vote and represented at the annual meeting by properly executed proxies received prior to or at the annual meeting, and not revoked, will be voted at the annual meeting in accordance with the instructions indicated on the proxies. If no instructions are indicated, the proxies will be voted as follows:

FOR election of each of the nominees to the board of directors

FOR ratification of the appointment of PricewaterhouseCoopers LLP as independent accountants for 2003

If any other matters are properly presented for consideration at the annual meeting, the persons named on the enclosed proxy card, or their duly constituted substitutes acting at the annual meeting, may vote on the other matters at their discretion.

If you give a proxy in response to this solicitation, you may revoke the proxy at any time before it is voted. You may revoke a proxy by signing another proxy and delivering it to the Secretary of Hexcel before or at the annual meeting, or by attendance at the meeting and voting in person. You can also revoke your proxy by filing a written notice of revocation with the Secretary of Hexcel before or at the annual meeting. You should send any subsequent proxy or notice of revocation to Hexcel Corporation,

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Two Stamford Plaza, 281 Tresser Boulevard, Stamford, Connecticut 06901-3238, Attention: Secretary, or you may deliver it to the Secretary at the annual meeting.

We will pay the cost of solicitation of the proxies. In addition to solicitation by use of the mail, directors, officers and employees of Hexcel may solicit proxies in person or by telephone or other means of communication. We will not pay additional compensation for this solicitation, although we may reimburse reasonable out-of-pocket expenses. We will request that brokers and nominees who hold shares of Hexcel capital stock in their names furnish proxy solicitation materials to beneficial owners of the shares, and we will reimburse the brokers and nominees for reasonable expenses incurred by them.

ELECTION OF DIRECTORS

On March 19, 2003, the board of directors was reconstituted in accordance with the terms of the governance agreement with the Goldman Sachs investors and the stockholders agreement with the Berkshire/Greenbriar investors. Each of the governance agreement and the stockholders agreement provides that the board of directors shall consist of ten directors. In particular, based on the total voting power currently held by the Goldman Sachs investors and the Berkshire/Greenbriar investors, the governance agreement and stockholders agreement, taken together, require that the board of directors be composed of:

- three directors designated by the Goldman Sachs investors;
- two directors designated by the Berkshire/Greenbriar investors; and
- five directors who are independent of the Goldman Sachs investors and the

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Berkshire/ Greenbriar investors. We refer to these directors as "independent directors."

The governance agreement requires that, so long as the Goldman Sachs investors own 10% or more of the total voting power of Hexcel, any slate of nominees for election to the board of directors must include at least one but not more than three nominees of the Goldman Sachs investors. The stockholders agreement requires that, so long as the Berkshire/Greenbriar investors own 10% or more of the total voting power of Hexcel, any slate of nominees for election to the board of directors must include at least one but not more than two nominees of the Berkshire/Greenbriar investors. Under both the governance agreement and the stockholders agreement, the "total voting power" of a person means the portion of all votes that may be cast in the election of directors represented by the common stock and preferred stock held by such person, with the votes represented by the preferred stock equal to the number of shares of common stock into which the preferred stock could be converted. In addition, under the governance agreement and stockholders agreement, in determining the total voting power of a person for the above purpose only, we consider as held by that person and as outstanding all common stock that could be issued to that person upon the exercise or conversion of any securities, such as options, beneficially held by that person.

In particular, the Goldman Sachs investors are entitled to:

- three nominees if they own 20% or more of the total voting power of Hexcel and continue to hold capital stock representing more than two-thirds of the total voting power they held upon the closing of the preferred stock sale
- two nominees if either
 - they own 20% or more of the total voting power of Hexcel and hold capital stock representing two-thirds or less of the total voting power they held upon the closing of the preferred stock sale, or

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- they own less than 20% but at least 15% of the total voting power of Hexcel and continue to hold capital stock representing more than one-third of the total voting power they held upon the closing of the preferred stock sale
- one nominee if either
 - they own less than 20% but at least 15% of the total voting power of Hexcel and hold capital stock representing one-third or less of the total voting power they held upon the closing of the preferred stock sale, or
 - they own less than 15% but at least 10% of the total voting power of Hexcel.

The Berkshire/Greenbriar investors are entitled to:

- two nominees if they own 15% or more of the total voting power of Hexcel and continue to hold capital stock representing more than one-third of the total voting power they held upon the closing of the preferred stock sale
- one nominee if either
 - they own 15% or more of the total voting power of Hexcel and hold capital stock representing one-third or less of the total voting power

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they held upon the closing of the preferred stock sale, or

- they own less than 15% but at least 10% of the total voting power of Hexcel.

Under the governance agreement, each nominee other than the nominees of the Goldman Sachs investors must be a "non-Goldman Sachs investor nominee," which means the nominee:

- is not and has never been an officer, partner, employee or director of any of the Goldman Sachs investors,
- has no affiliation or compensation, consulting or contractual relationship with any of the Goldman Sachs investors that would cause a reasonable person to regard the person as likely to be unduly influenced by any such Goldman Sachs investor, and
- is designated by the directors not nominated to the Board by the Goldman Sachs investors, including the Chairman if he is an independent director.

However, it has been agreed that, so long as Joel S. Beckman is a director nominated by the Berkshire/Greenbriar investors, he qualifies as a "non-Goldman Sachs investor nominee," notwithstanding that Mr. Beckman was previously a managing director with Goldman Sachs. It has also been agreed that, so long as Robert J. Small is a director nominated by the Berkshire/Greenbriar investors, he qualifies as a "non-Goldman Sachs investor nominee," notwithstanding that Mr. Small was previously employed by Goldman Sachs.

Under the stockholders agreement, each nominee other than the nominees of the Berkshire/ Greenbriar investors must be a "non-Berkshire/Greenbriar nominee," which means the nominee:

- is not and has never been an officer, partner, employee or director of any of the Berkshire/ Greenbriar investors,
- has no affiliation or compensation, consulting or contractual relationship with any of the Berkshire/Greenbriar investors that would cause a reasonable person to regard the person as likely to be unduly influenced by any such Berkshire/Greenbriar investor, and
- is designated by the directors not nominated by the Berkshire/Greenbriar investors, including the Chairman if he is an independent director.

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The Goldman Sachs investors are required to vote their shares of capital stock in favor of the nominees for director determined in accordance with the governance agreement. The Berkshire/ Greenbriar investors are required to vote their shares of capital stock in favor of the nominees for director determined in accordance with the stockholders agreement.

The Goldman Sachs investors and the Berkshire/Greenbriar investors beneficially own approximately 37.7% and 35.1%, respectively, of the total voting power of Hexcel. In accordance with the governance agreement and the stockholders agreement, the following individuals have been nominated for election to the board of directors:

- Sanjeev K. Mehra, James J. Gaffney and Peter M. Sacerdote (the nominees of the Goldman Sachs investors)
- Joel S. Beckman and Robert J. Small (the nominees of the Berkshire/Greenbriar investors)

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- H. Arthur Bellows, Jr., David E. Berges (Chairman), Sandra L. Derickson, Lewis Rubin and Martin L. Solomon (the independent director nominees).

All nominees for election to the board of directors are currently serving as directors of Hexcel.

Shares represented by an executed and returned proxy card will be voted for the election of the ten nominees recommended by the board of directors, unless the proxy is marked to withhold authority to vote. If any nominee for any reason is unable to serve, the shares of capital stock represented by the proxy card will be voted for an alternate person designated in accordance with the governance agreement and the stockholders agreement. We are not aware of any nominee who will be unable to or will not serve as a director.

A plurality of the votes cast in person or by proxy at the annual meeting is required to elect directors. Under the rules of the New York Stock Exchange, brokers who hold shares in "street name" have the authority to vote on some matters when they do not receive instructions from beneficial owners. Brokers that do not receive instructions are entitled to vote on the election of directors. Under applicable Delaware law, in determining whether the proposal to elect directors has received the requisite vote, abstentions will be disregarded and will have no effect on the outcome of the vote.

INFORMATION REGARDING THE DIRECTORS

Set forth below is certain information concerning our current directors as of March 19, 2003. All current directors have been nominated for re-election to the board of directors. There are no family relationships among any of our executive officers or directors.

NAME -----	AGE -----	DIRECTOR SINCE -----	POSITION(S) WITH HEXCEL -----
David E. Berges.....	53	2001	Chairman of the Board; Chief Executive Officer; President; Director
Joel S. Beckman.....	47	2003	Director
H. Arthur Bellows, Jr.....	65	2000	Director
Sandra L. Derickson.....	50	2002	Director
James J. Gaffney.....	62	2000	Director
Sanjeev K. Mehra.....	44	2000	Director
Lewis Rubin.....	65	1999	Director
Peter M. Sacerdote.....	65	2000	Director
Robert J. Small.....	36	2003	Director
Martin L. Solomon.....	66	1996	Director

DAVID E. BERGES, age 53, has served as Chairman of the board of directors

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and Chief Executive Officer of Hexcel since July 2001, and as President of Hexcel since February 2002. Prior to joining Hexcel, Mr. Berges was President of the Automotive Products Group of Honeywell International Inc. from 1997 to July 2001 and Vice President and General Manager, Engine Systems and Accessories, at AlliedSignal Aerospace from 1994 to 1997. Mr. Berges was President and Chief Operating Officer of Barnes Aerospace, a division of Barnes Group Inc., from 1992 to 1994, and President of their Windsor Manufacturing Division from 1986 to 1992. Mr. Berges spent the first fifteen years of his career in a variety of managerial and technical positions with the General Electric Company.

JOEL S. BECKMAN, age 47, has been a director of Hexcel since March 2003. Mr. Beckman is a Managing Partner of Greenbriar Equity Group LLC, a private equity fund focused exclusively on making investments in transportation and transportation-related companies. Prior to founding Greenbriar in 2000, Mr. Beckman was a Managing Director and Partner of Goldman, Sachs & Co., which he joined in 1981. Mr. Beckman is a member of the Board of Trustees of the University of Rochester and is active in various civic organizations.

H. ARTHUR BELLOWS, JR., age 65, has been a director of Hexcel since December 2000. Mr. Bellows also serves as a member of the Audit and Finance Committees of Hexcel. He has served as Chairman of Braeburn Associates, a private merchant banking firm, since 1999, and Chairman of The Finance Network, a private financial services firm, since 1999. Mr. Bellows was President, Chief Operating Officer and a director of Audits & Surveys Worldwide, Inc., an international market research firm, from 1995 to March 1999, and continued to serve as a director until March, 2002. In 1967, he founded The Triangle Corporation, a manufacturer of hand tools, aerosol chemicals, diagnostic equipment for automobiles and various hardware products, and served as its Chairman, President and Chief Executive Officer from its founding to March, 1995. Mr. Bellows also acts as an officer and director of various civic organizations.

SANDRA L. DERICKSON, age 50, serves as a member of the compensation committee of Hexcel. She has also been a director of Hexcel since February 2002. From July 2002, Ms. Derickson has served as the Group Executive of Retail Services, Refund Lending and Insurance Services of Household International, a wholly-owned subsidiary of HSBC Holdings PLC, one of the largest banking and financial services organizations in the world. From September 2000 to July 2002, she served as the Chief Executive Officer of Household Retail Services, the private label credit card business of Household International. From 1976 to 1999, Ms. Derickson held various management positions with General Electric Capital Corporation, the last of which was President of GE Capital Auto Financial Services, the largest non-captive auto leasing business in the world, from 1991 to 1999. Ms. Derickson was also an officer of the General Electric Company from 1991 to 1999.

JAMES J. GAFFNEY, age 62, has been a director of Hexcel since December 2000. Mr. Gaffney also serves as a member of the Audit Committee of Hexcel. Since 1997 he has served as a consultant to private investment funds affiliated with Goldman, Sachs & Co. in relation to these funds' investment in Viking Pacific Holdings and Vermont Investments Limited. Since 1997 he has served as Vice Chairman of Viking Pacific Holdings Ltd. From 1995 through 1997, Mr. Gaffney served as Chairman of the Board and Chief Executive Officer of General Aquatics, Inc., which manufactures swimming pool equipment and constructs swimming pools. From 1993 through 1995 he was President and Chief Executive Officer of KDI Corporation, a conglomerate which was involved in swimming pool construction and manufactured products for a variety of industries. He also is a director of SCP Pool, Inc. and Imperial Sugar Inc. and of various private companies.

SANJEEV K. MEHRA, age 44, has been a director of Hexcel since December 2000

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and served as Co-Chairman of the board of directors of Hexcel from May 2001 until July 2001. Mr. Mehra also serves as Chairman of the Finance Committee and is a member of the Compensation and Nominating

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Committees of Hexcel. Mr. Mehra joined Goldman, Sachs & Co. in 1986, and has served since 1996 as a Managing Director in the Principal Investment Area of its Merchant Banking Division and serves on the Principal Investment Area Investment Committee. Mr. Mehra is a director of Amscan Holdings, Inc., Madison River Telephone Company, L.L.C. and various privately held companies and is a member of the Board of Trustees of Trout Unlimited.

LEWIS RUBIN, age 65, has been a director of Hexcel since November 1999. He also served on Hexcel's Board from 1993 to 1995. Mr. Rubin also serves as Chairman of the Audit Committee of Hexcel. Mr. Rubin is President, Chief Executive Officer and a director of XTRA Corporation, a subsidiary of Berkshire Hathaway Corporation, and has served in those positions since 1990. XTRA leases on a primary basis over-the-road trailers, marine containers and intermodal equipment, including intermodal trailers, chassis and domestic containers. From 1988 to 1990, he was a consultant with Lewis Rubin Associates, a consulting firm advising the transportation equipment industry. From 1984 to 1988, Mr. Rubin served as President and Chief Executive Officer of Gelco CTI Container Services, a subsidiary of Gelco Corporation, a diversified international management services corporation, and as an Executive Vice President of Gelco Corporation. From 1981 to 1983, Mr. Rubin was President and Chief Executive Officer of Flexi-Van Corporation, a company engaged in the leasing of intermodal transportation equipment. Mr. Rubin is a certified public accountant and a member of the American Institute of Certified Public Accountants.

PETER M. SACERDOTE, age 65, has been a director of Hexcel since December 2000. Mr. Sacerdote has been an Advisory Director of Goldman, Sachs & Co. since May 1999 where he also serves as chairman of its Principal Investment Area's Investment Committee. He joined Goldman, Sachs & Co. in 1964 and served as a general partner from 1973 through 1990 and a limited partner from 1991 through 1999. He also serves as a director of Qualcomm Incorporated and Franklin Resources, Inc. He is also a director and/or officer of various civic organizations.

ROBERT J. SMALL, age 36, has been a director of Hexcel since March 2003. Mr. Small joined Berkshire Partners LLC in 1992, became a Vice President in September 1994 and has been a Managing Director of Berkshire Partners since January 2000. Mr. Small began his career as an Associate Consultant at Bain & Co. in 1988, where he worked with clients representing industries including healthcare, paper and packaging, and office equipment. Mr. Small is also a director of a number of privately held companies and civic organizations.

MARTIN L. SOLOMON, age 66, has been a director of Hexcel since May 1996 and served as Co-Chairman of the Board of Hexcel from May 2001 until July 2001. Mr. Solomon also serves as Chairman of the Compensation Committee and is a member of the Finance Committee of Hexcel. Mr. Solomon has been Co-Chairman of American County Holdings, Inc., an insurance holding company, since 2000 and, from 1997 to 2000 he served as its Chairman and Chief Executive Officer. Mr. Solomon has been a self-employed investor since 1990. Mr. Solomon was a director and Vice Chairman of the board of directors of Great Dane Holdings, Inc., which is engaged in the manufacture of transportation equipment, automobile stamping, the leasing of taxis and insurance, from 1985 to 1996, Managing Partner of Value Equity Associates I, L.P., an investment partnership, from 1988 to 1990, and was an investment analyst and portfolio manager of Steinhardt Partners, an investment partnership, from 1985 to 1987. Mr. Solomon has been a director of Telephone and Data Systems, Inc. since 1997. Mr. Solomon is also a director of various privately held corporations and civic

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organizations.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ELECTION OF THE NOMINEES FOR DIRECTOR

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MEETINGS AND STANDING COMMITTEES OF THE BOARD OF DIRECTORS

During 2002 there were eleven meetings of the board of directors and 28 meetings in the aggregate of the four standing committees of the board of directors. Each of the incumbent directors who served on the board of directors and its committees during 2002 attended or participated in at least 75% of the aggregate number of board of directors meetings and applicable committee meetings held during 2002.

The board of directors has established the following standing committees: audit committee; compensation committee; finance committee; and nominating committee. The board of directors may establish other special or standing committees from time to time. Members of committees serve at the discretion of the board of directors. The governance agreement requires that, as long as the Goldman Sachs investors have the right to designate at least two directors for election to the board of directors, each committee of the board of directors will include at least one director nominated by the Goldman Sachs investors. The stockholders agreement requires that, as long as the Berkshire/Greenbriar investors have the right to designate at least two directors for election to the board of directors, each committee of the board of directors will include at least one director nominated by the Berkshire/ Greenbriar investors. However, if under the listing standards of the New York Stock Exchange or any other applicable law or rule, no Goldman Sachs investor nominee or Berkshire/Greenbriar nominee is eligible to serve on a particular committee, then that committee will consist solely of non-Goldman Sachs nominees and/or non-Berkshire/Greenbriar nominees, as the case may be.

On behalf of the board of directors, the audit committee oversees Hexcel's financial reporting process. Information regarding the audit committee, including the specific functions performed by the audit committee, is in the "AUDIT COMMITTEE REPORT" included elsewhere in this proxy statement. The current members of the audit committee are Messrs. Rubin (Chairman), Bellows and Gaffney. During 2002 the audit committee held ten meetings.

The compensation committee makes recommendations to the board of directors on matters pertaining to the compensation of our employees, executive officers and directors. The compensation committee also administers our incentive plans and makes grants of stock options and/or awards of restricted stock units or other equity based compensation to executive officers, other key employees, directors and consultants. The current members of the compensation committee are Mr. Solomon (Chairman), Mr. Mehra and Ms. Derickson. During 2002 the compensation committee held five meetings.

The finance committee oversees our financial affairs and makes appropriate recommendations to the board of directors. In certain circumstances it may also take action on behalf of the board of directors. The current members of the finance committee are Messrs. Mehra (Chairman), Bellows and Solomon. During 2002 the finance committee held thirteen meetings.

The nominating committee recommends nominees for the board of directors. The nominating committee does not solicit or consider stockholder recommendations for nomination. Under the governance agreement and stockholders agreement, the nominating committee is required to nominate the nominees designated by the Goldman Sachs investors, the nominees nominated by the Berkshire/ Greenbriar investors and the independent nominees designated by the independent directors.

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The current members of the nominating committee are Mr. Mehra and Ms. Derickson. During 2002 the nominating committee did not meet, although it did act once by written consent.

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EXECUTIVE OFFICERS

Set forth below is certain information concerning our executive officers and all persons chosen to become executive officers as of March 19, 2003. For additional information concerning Mr. Berges, see "ELECTION OF DIRECTORS, Information Regarding the Directors."

NAME	AGE	EXECUTIVE OFFICER SINCE	POSITION(S) WITH HEXCEL
David E. Berges.....	53	2001	Chairman of the Board; Chief Executive Officer; President; Director
Stephen C. Forsyth.....	47	1994	Executive Vice President; Chief Financial Officer
Ira J. Krakower.....	62	1996	Senior Vice President; General Counsel; Secretary
William J. Fazio.....	48	2001	Corporate Controller; Chief Accounting Officer
Michael J. MacIntyre.....	42	2003	Treasurer
Joseph H. Shaulson.....	37	1996	President of the Reinforcements business unit
William Hunt.....	60	1996	President of the Composites business unit
David R. Tanonis.....	46	1999	President of the Structures business unit

STEPHEN C. FORSYTH, age 47, has served as Executive Vice President of Hexcel since June 1998, Chief Financial Officer since November 1996, and Senior Vice President of Finance and Administration between February 1996 and June 1998. Mr. Forsyth also serves as a director of Interglas Technologies AG. Mr. Forsyth served as Vice President of International Operations of Hexcel from October 1994 to February 1996 and has held other general management positions with Hexcel from 1980 to 1994. Mr. Forsyth joined Hexcel in 1980.

IRA J. KRAKOWER, age 62, has served as Senior Vice President, General Counsel and Secretary of Hexcel since September 1996. Prior to joining Hexcel, Mr. Krakower served as Vice President and General Counsel to Uniroyal Chemical Corporation from 1986 to August 1996 and served on the board of directors of and as Secretary of Uniroyal Chemical Company, Inc. from 1989 to 1996.

WILLIAM J. FAZIO, age 48, has served as Corporate Controller and Chief Accounting Officer since April 2001. Mr. Fazio served as Vice President, Controller of Kodak Polychrome Graphics, a distributor and manufacturer of graphic arts products owned by Eastman Kodak Company and Sun Chemical Corporation, from February 1998 to March 2001, and from April 1997 to January 1998 he was Director, Corporate Financial Services, for Ogden Corporation, a consumer and industrial service organization serving the aviation, entertainment and power generation markets. From 1981 to April 1997, Mr. Fazio held various positions for Coltec Industries Inc., the latest being Director--Operations Analysis from 1994 to April 1997.

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MICHAEL J. MACINTYRE, age 42, has served as Hexcel's Treasurer since December 2002 and was Assistant Treasurer from October 2000 to December 2002. Prior to joining Hexcel, Mr. MacIntyre served as Assistant Treasurer of Hitachi America Capital, Ltd, a US financing subsidiary of Hitachi America, Ltd, a sales and manufacturing company serving the U.S. electronics markets, from 1998 to 2000, and held various treasury management positions with Hitachi America, Ltd. from 1988 to 1998.

JOSEPH H. SHAULSON, age 37, has served as President of the Reinforcements business unit since November 2001. Mr. Shaulson served as Vice President of Corporate Planning and Chief Information Officer from September 2000 to November 2001, and as Vice President of Planning and Integration of Hexcel from November 1998 to September 2000. Mr. Shaulson served as Vice President of Corporate Development of Hexcel from April 1996 to October 1998. In addition, Mr. Shaulson served as Acting General Counsel and Acting Secretary of Hexcel from April 1996 to September 1996.

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Prior to joining Hexcel, Mr. Shaulson was an associate in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, where he was employed from 1991 to 1996.

WILLIAM HUNT, age 60, has served as President of Hexcel's Composites business unit since November 1998 and as President of the former Hexcel EuroMaterials business unit from February 1996 to October 1998. Mr. Hunt served as President of the EuroMaterials unit of the Composites Business of Ciba-Geigy Ltd. from 1991 to February 1996 and as Managing Director of Ciba-Geigy Plastics from 1990 to 1991. Prior to joining Ciba-Geigy Ltd. in 1990, Mr. Hunt held various other technical and managerial positions, including the position of Managing Director of Illford Limited (Photographic) Co.

DAVID R. TANONIS, age 46, has served as President of Hexcel's Structures business unit since June 1999. Mr. Tanonis served as Vice President of Hexcel's Structures and Interiors business unit, responsible for the interiors business, from February 1996 to June 1999 and as the Vice President of Interiors in the Heath Tecna Division of Ciba-Geigy Plastics prior to February 1996. Mr. Tanonis held various technical and managerial positions with Heath Tecna since 1987. Mr. Tanonis held various management positions with Polymer Engineering, Inc. from 1978 to 1987.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

STOCK BENEFICIALLY OWNED BY PRINCIPAL STOCKHOLDERS

The following table sets forth certain information as of March 19, 2003 with respect to the ownership by any person (including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) known to us to be the beneficial owner of more than five percent of the issued and outstanding shares of any class of Hexcel capital stock.

NAME AND ADDRESS	COMMON STOCK		SERIES A CONVERTIBLE PREFERRED STOCK		S CO PREF
	NUMBER OF SHARES (1)	PERCENT OF CLASS (1)	NUMBER OF SHARES	PERCENT OF CLASS	NUMBE OF SHARE
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The Goldman Sachs Group, Inc. (3) (4) 85 Broad Street New York, NY 10004	33,340,830	58.0%	47,125	37.7%	47,125
Berkshire Partners LLC/Greenbriar Equity Group LLC (3) (5) One Boston Place Suite 3300 Boston, Massachusetts 02108	31,042,917	44.5%	77,875	62.3%	77,875
Ingalls & Snyder LLC (6) 61 Broadway New York, NY 10006	3,836,831	9.8%	--	--	--
Estate of John J. Lee (7) c/o Stewart J. McMillan McMillan Constabile LLP 2180 Boston Post Road Larchmont, NY 10538-0300	2,805,636	6.9%	--	--	--
Dimensional Fund Advisors, Inc. (8) 1299 Ocean Avenue Santa Monica, CA 90401	2,501,000	6.5%	--	--	--
Ciba Specialty Chemicals Holding Inc. (9) Klybeckstrasse 141 CH 4002 Basel, Switzerland	2,290,448	5.8%	--	--	--

(1) As required by SEC rules, for each individual investor listed in the chart above the percentages are calculated assuming that all convertible securities beneficially held by such investor are converted into

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common stock to the extent possible, and that no other convertible securities are converted into common stock. Securities convertible into common stock include the preferred stock, stock options granted under Hexcel stock incentive plans, and convertible debt securities.

- (2) Consolidated voting power reflects the total voting power represented by all common stock and preferred stock beneficially owned.
- (3) Assumes that all shares of preferred stock held by the Goldman Sachs investors and the Berkshire/ Greenbriar investors are converted into shares of common stock in accordance with their terms. The preferred stock held by the Goldman Sachs investors is convertible into 18,781,162 shares of common stock. The preferred stock held by the Berkshire/Greenbriar investors is convertible into 31,036,251 shares of common stock.
- (4) Based on information contained in a Statement on Schedule 13D filed with the Securities and Exchange Commission (the "SEC") on March 21, 2003 by The Goldman Sachs Group, Inc. and several of its affiliates. Based on information included in the Schedule 13D, options to purchase an aggregate of 36,000 shares of common stock granted to Messrs. Mehra and Sacerdote pursuant to the Hexcel Corporation 2003 Incentive Stock Plan are held for the benefit of The Goldman Sachs Group, Inc. Options to purchase 34,668 of the 36,000 shares are currently exercisable and, accordingly, are included in the number of shares of common stock. In addition, assumes that all shares of preferred stock held by the Goldman Sachs investors are converted into shares of common stock in accordance with their terms. The shares of common stock and preferred stock beneficially owned by the Goldman Sachs investors are subject to the terms of the governance agreement.

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- (5) Based on information contained in a Statement on Schedule 13D filed with the SEC on March 31, 2003 by Berkshire Partners LLC, Greenbriar Equity Group LLC and several of their affiliates. Based on information included in the Schedule 13D, options to purchase an aggregate of 20,000 shares of common stock granted to Messrs. Beckman and Small pursuant to the Hexcel Corporation 2003 Incentive Stock Plan are held for the benefit of the Berkshire/Greenbriar investors. Options to purchase 6,666 of the 20,000 shares are currently exercisable and, accordingly, are included in the number of shares of common stock. In addition, assumes that all shares of preferred stock held by the Berkshire/ Greenbriar investors are converted into shares of common stock in accordance with their terms. The shares of common stock and preferred stock beneficially owned by the Berkshire/Greenbriar investors are subject to the terms of the stockholders agreement.
- (6) Based on information contained in a Statement on Schedule 13G filed with the SEC on February 14, 2003. Assumes conversion of \$7,535,000 principal amount of our 7% convertible subordinated notes due 2003.
- (7) Based on information contained in a Statement on Schedule 13D filed with the SEC on November 26, 2001, and includes 2,007,920 shares of common stock issuable upon the exercise of options that are currently exercisable.
- (8) Based on information contained in a Statement on Schedule 13G filed with the SEC on February 11, 2003.
- (9) Based on information provided by Ciba to Hexcel on December 10, 2002.

STOCK BENEFICIALLY OWNED BY DIRECTORS AND OFFICERS

The following table contains information regarding the beneficial ownership of shares of Hexcel common stock as of March 19, 2003 by our directors, the executive officers listed in the summary

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compensation table below, and by all directors and executive officers as a group. The information in the table is based upon information supplied to us by the persons listed in the table.

NAME	COMMON STOCK		SERIES A CONVERTIBLE PREFERRED STOCK		SERIES B CONVERTIBLE PREFERRED STOCK	
	NUMBER OF SHARES (1) (2)	PERCENT OF CLASS (2) (3)	NUMBER OF SHARES	PERCENT OF CLASS	NUMBER OF SHARES	PERCENT OF CLASS
David E. Berges.....	486,105	1.2%	--	--	--	--
Joel S. Beckman (5).....	31,042,917	44.5%	77,875	62.3%	77,875	62.3%
H. Arthur Bellows, Jr.....	32,320	*	--	--	--	--
Sandra L. Derickson.....	27,482	*	--	--	--	--
James J. Gaffney (6).....	36,891	*	--	--	--	--
Sanjeev K. Mehra (6) (7).....	33,340,830	58.0%	47,125	37.7%	47,125	37.7%
Lewis Rubin.....	58,856	*	--	--	--	--
Peter M. Sacerdote (6) (7).....	33,340,830	58.0%	47,125	37.7%	47,125	37.7%
Robert J. Small (5).....	31,042,917	44.5%	77,875	62.3%	77,875	62.3%
Martin L. Solomon.....	168,555	*	--	--	--	--

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Stephen C. Forsyth.....	529,491	1.4%	--	--	--
Ira J. Krakower.....	770,041	2.0%	--	--	--
William Hunt.....	386,320	*	--	--	--
Joseph H. Shaulson.....	287,579	*			
All executive officers and					
directors as a group (17					
persons) (8).....					
	67,298,500	74.0%	125,000	100%	125,000

(1) Includes shares issuable upon the exercise of options that are currently exercisable, that will become exercisable within 60 days or that could become exercisable upon termination of employment under certain circumstances, and shares distributable within 60 days upon the satisfaction of certain conditions of restricted stock units. Such shares are held as follows: Mr. Berges 323,959; Mr. Bellows 32,320; Ms. Derickson 27,482; Mr. Gaffney 36,891; Mr. Rubin 58,856; Mr. Solomon 153,555; Mr. Forsyth 441,680; Mr. Krakower 681,892; Mr. Hunt 346,382; Mr. Shaulson 245,777; all other executive officers and directors as a group 109,985.

(2) Based on 38,643,766 shares of common stock outstanding as of March 19, 2003. As required by SEC rules, for each individual person listed in the chart above the percentages are calculated assuming that all convertible securities beneficially held by such person are converted to common stock to the extent possible, and that no other convertible securities are converted into common stock. Securities convertible into common stock include the preferred stock, stock incentives granted under Hexcel stock incentive plans (such as options and restricted stock units), and convertible debt securities.

(3) An asterisk represents ownership of less than 1%.

(4) Consolidated voting power reflects the total voting power represented by all common stock and preferred stock beneficially owned.

(5) Messrs. Beckman and Small serve on the board of directors at the request of the Berkshire/ Greenbriar investors pursuant to the stockholders agreement. Includes 3,333 and 3,333 shares of common stock underlying currently exercisable options granted to Messrs. Beckman and Small, respectively, which options are held for the benefit of the Berkshire/Greenbriar investors. Also includes 31,036,251 shares of common stock into which the preferred stock held by the Berkshire/ Greenbriar investors may be converted. Messrs. Beckman and Small disclaim beneficial ownership of all of these shares, except to the extent of their respective pecuniary interests therein, if any.

(6) Messrs. Gaffney, Mehra and Sacerdote serve on the board of directors at the request of the Goldman Sachs investors pursuant to the governance agreement.

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(7) Includes 14,525,000 shares of common stock held by the Goldman Sachs investors, and 21,334 and 13,334 shares of common stock underlying currently exercisable options granted to Messrs. Mehra and Sacerdote, respectively, which options are held for the benefit of The Goldman Sachs Group, Inc. Also includes 18,781,162 shares of common stock into which the preferred stock held by the Goldman Sachs investors may be converted. Messrs. Mehra and Sacerdote disclaim beneficial ownership of all of these shares, except to the extent of their respective pecuniary interests therein, if any.

(8) Includes as common stock 2,500,115 shares issuable upon the exercise of

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options that are currently exercisable, that will become exercisable within 60 days or that could become exercisable upon termination of employment under certain circumstances, and shares distributable within 60 days upon the satisfaction of certain conditions of restricted stock units. Includes as common stock 49,817,413 shares issuable upon the conversion of the preferred stock. If the 14,525,000 shares of common stock owned by the Goldman Sachs investors, the shares of common stock issuable upon conversion of the preferred stock and the shares of common stock underlying the options for which Messrs. Beckman, Small, Mehra and Sacerdote disclaim ownership were excluded, the number of shares of common stock, the percentage of common stock and the percentage of voting power would decrease to 2,914,749, 7.1% and 3.2% respectively.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth the total annual compensation paid or accrued by us to each person who served as our Chief Executive Officer during any part of 2002 and our next four most highly compensated executive officers who were employed by us as of December 31, 2002. We refer to these individuals as the named executive officers.

NAME & PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION (1)			LONG-TERM	
		SALARY (\$)	BONUSES (\$ (3))	OTHER ANNUAL COMPENSATION \$ (4)	RESTRICTED STOCK AWARD (\$ (5) (6))	COMPENSATION A
David E. Berges (2) Chairman; Chief Executive Officer; President	2002	572,000	599,914	--	447,991	2
	2001	229,167	429,167	81,182	706,500	8
Stephen C. Forsyth Executive Vice President; Chief Financial Officer	2002	335,000	217,513	--	117,820	1
	2001	320,000	105,600	--	10,932	
	2000	309,000	199,467	--	124,800	
Ira J. Krakower Senior Vice President; General Counsel; Secretary	2002	273,000	166,046	--	95,900	1
	2001	265,000	72,875	--	--	
	2000	254,000	164,643	--	103,350	
William Hunt President, Composites Materials Business Unit	2002	240,495	143,874	7,213	49,046	
	2001	250,000	68,750	6,981	--	
	2000	242,000	123,867	7,178	54,600	
Joseph H. Shaulson President, Hexcel-Schwebel Business Unit	2002	247,500	144,874	--	67,678	
	2001	240,000	72,000	--	--	
	2000	225,000	116,089	--	85,547	

(1) Annual Compensation includes amounts earned in the fiscal year, whether or not deferred.

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- (2) Mr. Berges' employment with us commenced on July 30, 2001.
- (3) Amounts shown include deferred amounts used to purchase restricted stock units ("MSPP RSUs") under the Management Stock Purchase Plan ("MSPP"); see footnote 5 below. Bonuses shown for fiscal years 2000, 2001 and 2002 were earned in fiscal years 2000, 2001 and 2002, and paid in 2001, 2002 and 2003. The 2001 amount shown for Mr. Berges includes a \$200,000 sign-on bonus and a guaranteed pro-rated bonus payment of \$229,167 for 2001 in accordance with the terms of his employment agreement.
- (4) This column includes, among other things, perquisites and other benefits in excess of reporting thresholds. The amount for Mr. Berges in 2001 includes \$76,182 of attorneys' fees incurred by Mr. Berges in connection with entering into employment with us. The amounts for Mr. Hunt represent payments to cover tax liabilities related to reimbursement for housing expenses.
- (5) This column includes the value of (i) Performance Accelerated Restricted Stock Units ("PARS"), (ii) Restricted Stock Units ("RSUs") under the 2003 Incentive Stock Plan, (iii) MSPP RSUs (net of purchase price paid) and (iv) restricted shares of Hexcel common stock, awarded to the named executive officers. In each case, the value was determined at the closing market price of Hexcel common stock on the date of grant without taking into account any restrictions on vesting or transfer.
 - (A) PARS. PARS generally vest after a period of seven years following the grant date. However, the PARS will vest and be converted into an equivalent number of shares of Hexcel common stock earlier than the fixed vesting date, if our performance equals or exceeds certain performance target levels, or, in certain circumstances, upon the executive's termination of employment.
 - (B) RSUs. RSUs generally vest in equal increments on each of the first three anniversaries of the grant and the vested RSUs are concurrently converted into an equivalent number of shares of Hexcel common stock.
 - (C) MSPP RSUs. MSPP RSUs were issued under the MSPP to the extent the executive elected to purchase MSPP RSUs with up to 50% of his bonus for 2000, 2001 and 2002. The purchase price of an MSPP RSU was 80% of the average closing price of Hexcel common stock for the five trading days preceding the date on which the bonus was payable. MSPP RSUs generally vest in equal increments on each of the first three anniversaries of the grant and, at the expiration of a three year restricted period from the date of grant, are converted into an equivalent number of shares of Hexcel common stock. The MSPP RSUs with respect to the bonus for 2000 were issued on February 1, 2001 at a purchase price of \$8.59 per MSPP RSU. The MSPP RSUs with respect to the bonus for 2001 were issued on January 10, 2002 at a purchase price of \$2.27 per MSPP RSU. The MSPP RSUs with respect to the bonus for 2002 were issued on January 21, 2003 at a purchase price of \$2.53 per MSPP RSU.
 - (D) Restricted Shares Granted to Mr. Berges. Pursuant to his employment agreement, upon commencing employment in July 2001, Mr. Berges was granted 90,000 restricted shares of Hexcel common stock. Eighteen thousand shares vested, and the restrictions as to these shares lapsed, on March 31, 2002. The remainder of these shares vested, and the restrictions thereon lapsed, on March 31, 2003.
 - (E) Aggregate Restricted Stock Information. The aggregate number of shares underlying PARS, RSUs, MSPP RSUs and restricted shares held by each named executive officer at the end of 2002, and the aggregate value of the

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PARS, RSUs, MSPP RSUs (net of purchase price paid) and restricted shares based on the closing price of Hexcel common stock at December 31, 2002 (\$3.00), are as follows: Mr. Berges 293,136 and \$699,434; Mr. Forsyth 75,059 and \$184,379; Mr. Krakower 45,600 and \$136,800; Mr. Hunt 23,500 and \$70,500; and Mr. Shaulson

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35,878 and \$77,717. These amounts include PARS, RSUs, MSPP RSUs and restricted shares that were not vested as of December 31, 2002. No dividends are payable on any PARS, RSUs or MSPP RSUs until the shares represented by the PARS, RSUs or MSPP RSUs are delivered to the employee provided that, if dividends are paid on Hexcel common stock subsequent to vesting of PARS, but while conversion to Hexcel common stock is restricted by Hexcel because of the application of Section 162(m) of the Internal Revenue Code, the executive will be granted additional PARS (as if each of such PARS were a share of Hexcel common stock) equal in value to the dividends which would have been payable if such vested PARS were converted into Hexcel common stock. Dividends are payable on the restricted shares held by Mr. Berges.

- (6) The compensation committee authorized the annual award of stock incentives for 2001 in December 2000, and for 2002 on January 10, 2002. Therefore, no stock incentive awards granted to any named executive officer in 2001 are reflected in the summary compensation table except as to Mr. Berges whose awards were granted in July 2001 under his employment agreement and as to Mr. Forsyth, who had elected to purchase MSPP RSUs with 50% of his 2001 bonus. An aggregate of 193,524 restricted stock units and options to purchase an aggregate of 707,236 shares of Hexcel common stock were granted to the incumbent named executive officers on January 6, 2003.
- (7) The amounts in the "All Other Compensation" column for fiscal years 2000, 2001 and 2002 for all named executive officers except for Mr. Hunt include the following:

NAME	YEAR	HEXCEL CONTRIBUTIONS TO 401(K) RETIREMENT SAVINGS PLAN	HEXCEL CONTRIBUTIONS TO 401(K) RESTORATION PLAN	PREMIUMS LIFE INSURANCE EXCESS OF
David E. Berges.....	2002	\$15,579	\$ 0	\$2,8
	2001	\$ 0	\$15,886	\$ 5
Stephen C. Forsyth.....	2002	\$15,130	\$ 0	\$1,6
	2001	\$10,338	\$36,849	\$1,8
	2000	\$10,200	\$14,922	\$1,7
Ira J. Krakower.....	2002	\$14,890	\$ 0	\$1,2
	2001	\$ 9,942	\$29,465	\$1,4
	2000	\$10,200	\$10,145	\$1,4
Joseph H. Shaulson.....	2002	\$12,833	\$ 0	\$1,1
	2001	\$13,880	\$10,931	\$1,3
	2000	\$ 8,843	\$ 7,053	\$1,2

As a non-US based executive, Mr. Hunt does not participate in the same plans as the other named executive officers. For Mr. Hunt, the amounts in the "All Other Compensation" column for fiscal years 2000, 2001 and 2002 consist of life

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insurance premiums of \$7,227, \$6,584 and \$4,152 and disability insurance premiums of \$11,335, \$7,320 and \$7,535.

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STOCK OPTIONS

OPTION/SAR GRANTS IN LAST FISCAL YEAR

INDIVIDUAL GRANTS					
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/ SARS GRANTED (#)	% OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SH)	MARKET PRICE ON GRANT DATE	EXPIRATION DATE
David E. Berges.....	250,000	21.9%	\$2.74	\$2.74	January 10, 2012
Stephen C. Forsyth.....	133,000	11.6%	2.74	2.74	January 10, 2012
Ira J. Krakower.....	108,400	9.5%	2.74	2.74	January 10, 2012
William Hunt.....	55,600	4.9%	2.74	2.74	January 10, 2012
Joseph H. Shaulson.....	76,400	6.7%	2.74	2.74	January 10, 2012

(1) The amounts shown in these columns are the potential realizable value of options granted at assumed rates of stock price appreciation (5% and 10%) set by the executive compensation disclosure provisions of the proxy rules of the SEC and have not been discounted to reflect the present values of such amounts. The assumed rates of stock price appreciation are not intended to forecast the future stock price appreciation of Hexcel common stock.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR END OPTION/SAR VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR END (#) (1) (EXERCISABLE/UNEXERCISABLE)	VALUE O IN OPTI FISCAL Y (EXERCISAB
David E. Berges.....	--	--	171,875/903,125	0
Stephen C. Forsyth.....	--	--	391,093/162,466	0
Ira J. Krakower.....	--	--	374,682/135,871	0
William Hunt.....	--	--	180,805/79,141	0
Joseph H. Shaulson.....	--	--	218,058/93,928	0

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- (1) Includes (i) 825,000 shares underlying options granted to Mr. Berges under his employment agreement; (ii) options granted pursuant to the 2003 Incentive Stock Plan as follows: Mr. Berges 250,000; Mr. Forsyth 552,059; Mr. Krakower 510,553; Mr. Hunt 259,946 and Mr. Shaulson 311,986; and (iii) options granted pursuant to Hexcel's 1988 Management Stock Plan as follows: Mr. Forsyth 1,500.
- (2) Based on the closing price of \$3.00 per share of Hexcel common stock as reported on the New York Stock Exchange Composite Tape on December 31, 2002.

DEFERRED COMPENSATION

PENSION PLAN-U.S. EMPLOYEES

Messrs. Forsyth, Krakower and Shaulson participated in the Hexcel Corporation Pension Plan, a tax-qualified defined benefit plan. On December 31, 2000, the benefits under the Pension Plan were frozen and no additional benefits will be earned after that date. The benefit vests in its entirety after

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five years of employment; even though the benefit is frozen, employees continue to earn service credit towards vesting after December 31, 2000. As of the end of the 2002 fiscal year, the monthly benefit earned and the percentage of such benefit vested for each of the participating named executive officers was as follows: Mr. Forsyth \$667 and 100%; Mr. Krakower \$442 and 100% and Mr. Shaulson \$498 and 100%. Benefits are normally payable monthly, as a life annuity, commencing upon the later of the executive's attainment of age 65 or retirement. The benefits are not offset by Social Security or any other amounts. Benefits under the Pension Plan are credited against the supplemental executive retirement agreement benefits of Messrs. Forsyth and Krakower; see "Executive Compensation-Employment and Other Agreements-Supplemental Executive Retirement Agreements with Messrs. Forsyth and Krakower." Mr. Hunt does not participate in this Pension Plan, but Mr. Hunt is a participant in the Hexcel Composites Limited Pension Scheme as described in "Executive Compensation-Employment and Other Agreements-Additional Pension Agreement with Mr. Hunt."

EMPLOYMENT AND OTHER AGREEMENTS

EMPLOYMENT AGREEMENT WITH MR. BERGES

We entered into an employment agreement with Mr. Berges when he began his employment with us on July 30, 2001. The employment agreement provides for Mr. Berges to be employed as our Chairman and Chief Executive Officer for four years commencing July 30, 2001. After the end of the initial four-year term, the employment agreement will automatically be extended for successive one-year terms unless either Mr. Berges or Hexcel gives at least one year's prior notice to the other that the employment agreement shall not be renewed. Mr. Berges may terminate the employment agreement for good reason or upon 30 days' notice to us. The employment agreement provides for, among other things:

- a sign-on award of \$200,000;
- an annual base salary of not less than \$550,000, subject to annual review by the compensation committee;
- a target annual bonus opportunity of not less than 100% of annual base salary, and a maximum annual bonus opportunity of not less than 200% of annual base salary, including a guaranteed pro-rated bonus of not less than \$229,167 for 2001; and
- participation in all other employee benefit plans available to senior

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executives, except that Mr. Berges' participation in our annual equity award program during the initial four-year term of the employment agreement is at the discretion of the compensation committee.

Under the employment agreement, on July 30, 2001 we granted Mr. Berges separate options to purchase 550,000 and 275,000 shares of Hexcel common stock. Each of the options has a term of ten years and an exercise price of \$10.50 per share. The option to purchase 550,000 shares becomes exercisable over four years at a rate of one-sixteenth of the shares at the end of each three-month period beginning with the three-month period ending October 31, 2001. The option to purchase 275,000 shares becomes exercisable in full on July 29, 2011, subject to earlier vesting, in part or in whole, if the price of Hexcel common stock reaches defined thresholds. If Mr. Berges' employment with us terminates, the options, to the extent not vested, are forfeited. In the event of a change of control of Hexcel, any unvested options immediately vest and become exercisable.

In addition, on July 30, 2001 Mr. Berges received 90,000 restricted shares of Hexcel common stock. The restricted shares could not be sold or transferred until they vested and the restrictions lapsed. On March 31, 2002, 18,000 restricted shares vested and the restrictions on those shares lapsed. On March 31, 2003, the remaining 72,000 restricted shares vested, and the restrictions on those shares lapsed.

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Upon termination of employment under certain circumstances, we will make payments to Mr. Berges and continue his participation in our benefit plans for a limited period of time. The amounts payable to Mr. Berges vary depending upon the circumstances of termination of employment:

- for termination by us other than for disability and other than for cause, or by Mr. Berges for good reason, Mr. Berges will be entitled to receive a payment equal to two times the sum of his base salary at that time and average bonus over the last three years;
- for termination by us other than for disability and other than for cause, or by Mr. Berges for good reason, in each case during a period which qualifies as a potential change in control or within two years after a change in control, Mr. Berges receives three times the sum of his base salary at that time and average bonus over the last three years; and
- for termination due to death or disability, Mr. Berges will be entitled to receive his salary through the date of termination plus an annual bonus prorated for the portion of the year he was employed.

We will continue Mr. Berges' participation in our benefit plans for up to three years depending on the circumstances of termination. If we terminate Mr. Berges for cause or Mr. Berges terminates employment without good reason, Mr. Berges will be entitled to receive only unpaid amounts owed to him through the date of termination. In the event payments to Mr. Berges would result in the imposition of any excise tax on "excess parachute payments," the payments and benefits to which Mr. Berges is otherwise entitled may be reduced to the extent necessary to maximize the after-tax amount received by him. However, if Mr. Berges receives payments from us as a result of termination of employment before December 19, 2003, then we will hold him harmless from the effect of any excise tax imposed on "excess parachute payments."

Mr. Berges has agreed not to compete with us for two years or three years after termination of employment, depending on whether termination occurs under circumstances described in the first bullet point or second bullet point above.

SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENT WITH MR. BERGES

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We also entered into a supplemental executive retirement agreement with Mr. Berges upon his commencing employment with us on July 30, 2001. This agreement provides a benefit intended to supplement Mr. Berges' retirement income from our other retirement programs. The normal retirement benefit under the agreement for retirement at age 65 is a monthly payment equal to the product of Mr. Berges' final average pay, benefit percentage, and vesting percentage, minus the qualified pension benefits. Final average pay is Mr. Berges' monthly compensation, which includes salary and bonus without reduction for amounts deferred, for the highest paid 36 months of Mr. Berges' final 60 months of employment. The benefit percentage is a percentage, based on a formula, which increases with each month of continuous service with us up to 156 months. The vesting percentage is 100% if Mr. Berges has completed at least 60 months of continuous service with us, otherwise it is 0%. Qualified pension benefits are the actuarially determined monthly value of the vested contributions made by us under our defined contribution retirement plans deemed increased at a 6% per annum rate of return.

If Mr. Berges' employment terminates, we will pay the normal retirement benefit to him starting the month after his employment terminates and ending with his death, or, if later, after 120 payments have been made. Any payments made after his death shall be made to his surviving beneficiary or estate. Upon certain terminations within two years after a change in control, termination by us without cause, or termination by Mr. Berges for good reason, we will pay Mr. Berges a lump sum equal to the actuarial present value of a monthly benefit starting in the month after his employment terminates, computed using a vesting percentage of 100% and continuous service equal to Mr. Berges' actual continuous service plus, in the case of a change of control, 36 months, and in the case of termination by us without cause or by Mr. Berges for good reason, 12 months, with the benefit reduced by 3% per

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year for each year by which his termination precedes his attaining age 65. If Mr. Berges' employment terminates due to a disability, he will receive a monthly benefit in an amount equal to the product of his final average pay and benefit percentage, less his qualified pension benefits. No benefits are payable if Mr. Berges is terminated for cause. In addition, Mr. Berges may elect to provide certain survivorship benefits to a designated beneficiary, but the benefit payable to Mr. Berges shall be reduced to reflect the actuarial equivalence of the survivorship benefit elected. Mr. Berges may generally elect the form of payment of benefits between receiving a monthly amount or a lump sum amount.

If Mr. Berges had retired at December 31, 2002, assuming a vesting percentage of 100%, his normal retirement benefit under his supplemental executive retirement commencing at age 65 would equal approximately \$7,787 per month.

SEVERANCE AGREEMENTS WITH MESSRS. FORSYTH, KRAKOWER AND SHAULSON

In February 1999, we entered into severance agreements with Messrs. Forsyth, Krakower and Shaulson. These severance agreements provide that we will make a termination payment to the executive, and continue his participation in our benefit plans for a limited period of time, upon termination of employment under certain circumstances. The amounts payable to the executive vary depending upon the circumstances of termination of employment:

- for termination by us other than for disability and other than for cause, or by the executive for good reason, the executive receives a payment equal to one year's salary plus average bonus over the last three years; and

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- for termination by us other than for disability and other than for cause, or by the executive for good reason, during a period of a potential change in control or within two years after a change in control, the executive receives three times the payment described in the bullet point above.

If payments to the executive would result in the imposition of any excise tax on "excess parachute payments," the payments may be reduced to maximize the after-tax amount received by the executive. The executive agrees not to compete with us for one year or three years after termination of employment depending on whether termination occurs under circumstances described in the first or second bullet point above.

SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENTS WITH MESSRS. FORSYTH AND KRAKOWER

In May 2000, we agreed to provide each of Messrs. Forsyth and Krakower with a benefit intended to supplement the executive's retirement income from our other retirement programs and social security. The normal retirement benefit under the supplemental executive retirement agreement for retirement at age 65 is a monthly payment equal to the product of the executive's final average pay, benefit percentage, and vesting percentage, minus the qualified pension benefits. Final average pay is the executive's monthly compensation, which includes salary and bonus without reduction for amounts deferred, for the highest paid 36 months of the executive's final 60 months of employment. The benefit percentage is a percentage, based on a formula, which increases with each month of continuous service with us. The vesting percentage for Mr. Krakower is 100% if Mr. Krakower has completed at least 60 months of continuous service with us, and otherwise it is 0%. The vesting percentage for Mr. Forsyth is 100% if Mr. Forsyth has completed 24 months of continuous service with us after the date of the agreement, and otherwise it is 0%. Both Mr. Krakower and Mr. Forsyth now have vesting percentages of 100%. Qualified pension benefits are the actuarially determined monthly value of the vested benefits under the pension plan, and the vested contributions made by us under our defined contribution plans deemed increased at a 6% per annum rate of return. In addition, for Mr. Forsyth, qualified pension benefits include any other similar benefits Mr. Forsyth is entitled to as a result of his employment with any of our current or former affiliates.

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If the executive's employment terminates, we will pay the normal retirement benefit to the executive starting the month after his employment terminates and ending with his death, or, if later, after 120 payments have been made. Any payments made after death shall be made to the executive's surviving beneficiary or estate. Upon certain terminations within two years after a change in control, termination by us without cause, and termination by the executive for good reason, the executive will be paid a lump sum equal to the actuarial present value of the normal retirement benefit, computed using a vesting percentage of 100% and continuous service equal to the executive's actual continuous service plus, in the case of a change of control, 36 months, and in the case of termination by us without cause or by the executive for good reason, 12 months. If the executive's employment terminates due to a disability, he will receive a monthly benefit in an amount equal to the product of the executive's final average pay and benefit percentage, less the executive's qualified pension benefits. No benefits are payable if the executive is terminated for cause. In addition, the executive may elect to provide certain survivorship benefits to a designated beneficiary, but the benefit payable to the executive will be reduced to reflect the actuarial equivalence of the survivorship benefit elected. The executive may generally elect the form of payment of benefits between receiving a monthly amount or a lump sum amount.

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If Mr. Forsyth had retired at December 31, 2002, his normal retirement benefit under his supplemental executive retirement agreement payable commencing at age 65 would equal approximately \$15,143 per month. For Mr. Krakower, the amount would be \$8,122 per month.

ADDITIONAL PENSION AGREEMENT WITH MR. HUNT

Mr. Hunt participates in the Hexcel Composites Limited Pension Scheme, a United Kingdom pension plan, which includes limitations on the earnings which can be included for determination of a pension. We have agreed to provide Mr. Hunt with an additional pension which is designed to provide, when combined with the pension scheme and other benefits, a pension Mr. Hunt would receive if there were no earnings limitation under the pension scheme. The amount of Mr. Hunt's pension is equal to approximately 69% of his salary for the year prior to retirement. Mr. Hunt may also choose to receive all or part of his benefit in a lump sum. Pension payments increase annually at the lesser of 5% and the retail price index. If Mr. Hunt continues to be employed by us at his current base salary until age 65, Mr. Hunt would receive an annual benefit of \$166,743. If Mr. Hunt's base salary during the year prior to his retirement at age 65 increased to 120% of his current base salary, he would receive an annual benefit of \$200,092.

COMPENSATION COMMITTEE REPORT

The compensation committee is made up of four members of the board of directors who are not employees of Hexcel. We are accountable to the board of directors to develop, monitor, and manage the compensation and benefit programs at Hexcel including the administration of all cash and stock incentive plans. Each year we specifically review and authorize the base salaries, cash and equity incentives and other forms of compensation for the executive officers of Hexcel, including all of the named executive officers. In making these reviews, we consider data available from market surveys provided by independent compensation consultants. Typically these surveys cover prevailing compensation practices among a variety of manufacturing companies. These manufacturing companies are not necessarily companies within the smaller comparator group described in the performance graph in this proxy statement since we believe that we compete with a wider spectrum of companies for key talent.

Hexcel's compensation programs are aligned with our beliefs that

- Base salaries in the aggregate should approximate median levels of compensation for comparable positions within the data reviewed

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- Annual cash incentives at target performance should represent a significant portion of total cash compensation for key employees, and should provide meaningful risk and reward for variations in performance from target levels
- Long-term cash and stock incentives should represent a significant portion of total compensation to promote retention of key employees and creation of long-term stockholder value
- Qualities such as experience, skill level, potential for promotion, and individual contributions in support of specific corporate and business unit objectives should also be considered in determining compensation

We believe that utilizing a compensation program reflecting these principles enables Hexcel to attract and retain highly qualified employees, aligns management and stockholder interests, and should enhance the financial returns to Hexcel's stockholders. During 2002, we reviewed the total compensation

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provided to executives, including the named executive officers, to ensure that executive compensation is consistent with these principles. We were guided in our review by independent compensation consultants. Each component of executive compensation is described more fully below.

BASE SALARY

We have established base salaries for executives that, in the aggregate, approximate the median salaries of comparable positions within the market data reviewed. Effective January 2003 we approved salary increases for the named executive officers, other than the Chief Executive Officer, which averaged 3.7% over 2002 salaries.

ANNUAL INCENTIVES

Hexcel maintains the Management Incentive Compensation Plan ("MICP") to provide for an annual cash bonus opportunity to approximately 170 key employees including executive officers. At the beginning of each year we establish performance goals against which potential bonus awards are determined at the completion of the year. The performance goals for 2002 were based on corporate and/or business unit adjusted EBITDA, corporate operating cash flow and achievement of individual objectives. For the named executive officers, other than the Chief Executive Officer, target awards ranged from 50% to 55% of base salary according to executive position. Bonus payments could have ranged between 0% and 200% of target awards depending on the degree of attainment of performance goals. Based on our assessment of attainment of goals, MICP awards for 2002 to the incumbent named executive officers, other than the Chief Executive Officer, averaged 115% of their target awards.

EQUITY-BASED INCENTIVES

Hexcel's incentive stock plans authorize, among other things, the grant of nonqualified stock options and restricted stock units. We have the authority to determine the terms and conditions of the awards, such as the exercise price and duration of options, vesting schedules and terms related to termination of employment.

Grants of stock incentives are based on our assessment of competitive practices, individual performance and the need to provide retention and incentive mechanisms. In January 2002, we approved the grant of 297,000 nonqualified stock options and 95,900 restricted stock units to the named executive officers, not including the Chief Executive Officer. The exercise prices of the options were at the fair market value of Hexcel common stock on the date of grant.

CHIEF EXECUTIVE OFFICER COMPENSATION

In determining Mr. Berges' total compensation, with the assistance of our compensation consultant we consider prevailing compensation practices for comparable executive positions regarding salaries, short and long-term cash and stock incentives, and other elements of compensation. We also consider

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the financial and non-financial performance of Hexcel during the relevant period. As a result, we determined that Mr. Berges' total compensation was under what our compensation philosophy would warrant and we adjusted his total compensation to bring it into alignment with comparable positions including increasing his base salary effective January 2003 from \$572,000 to \$700,000.

Mr. Berges' target award under the MICP program for 2002 was 100% of his 2002 base salary, and his performance goals were based on achievement of

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adjusted corporate EBITDA and corporate operating cash flow targets. The award made to Mr. Berges for 2002 achievement against these goals was 105% of his MICP target award.

In January, 2002 Mr. Berges was awarded a grant of 250,000 nonqualified stock options and 150,000 restricted stock units as part of the his 2002 annual compensation review. The exercise prices of the stock options were at the fair market value of Hexcel common stock on the date of grant.

LONG TERM INCENTIVE PLAN

Historically, Hexcel's long-term compensation program for key employees had been entirely equity-based. In 2002, we determined that it would be beneficial to Hexcel to introduce a cash component into the program that would be available to reduce potential stockholder dilution arising from equity grants. On February 27, 2002 the board of directors adopted the Hexcel Corporation Long Term Incentive Plan ("LTIP") to provide cash incentives to, and promote retention of, key employees who have a direct and measurable opportunity to advance Hexcel's long-term goals. The LTIP provides for cash incentive payments based on the attainment of corporate or business unit performance goals established at the beginning of each performance period. Performance goals may also take into account individual performance objectives. A performance period is any period of at least eight fiscal quarters. LTIP participants remain eligible to receive equity grants but generally in lesser amounts to reflect the cash incentive payment available under the LTIP.

We have established performance goals under the LTIP for the 2002-2003 performance period for 173 key employees. These performance goals are based on levels of Hexcel's adjusted EBIDTA for the period from January 1, 2002 to December 31, 2003. In addition, in January 2002 LTIP participants were awarded 413,000 nonqualified stock options. The exercise prices of the options were at the fair market value of Hexcel common stock on the date of grant. No executive officer has been designated to receive an award under the LTIP with respect to the 2002-2003 performance period.

STOCK OWNERSHIP GUIDELINES

Effective January 1, 1998 the board of directors approved the implementation of stock ownership guidelines for members of senior management and directors. The number of shares for any person is calculated at the time the person becomes a member of senior management or a director. The guideline is five times base salary for the Chief Executive Officer, three times base salary for certain members of senior management, one times base salary for other members of senior management, and three times annual retainer fees for directors. All persons covered by the guidelines are expected to increase ownership towards the guideline amounts progressively over three years. However, the board of directors modified the guidelines to allow Mr. Berges a period of five years to accumulate a sufficient number of shares of common stock. We believe that investments in Hexcel common stock at these guideline levels will benefit shareholders by further aligning the personal financial interests of executives and directors with those of Hexcel's investors, thereby promoting decision-making that maximizes shareholder value.

TAX DEDUCTIBILITY OF COMPENSATION

It is our general policy to consider whether particular payments and awards are deductible to Hexcel for federal income tax purposes, along with other factors that may be relevant in setting executive compensation practices. Consistent with this policy and in response to the regulations

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regarding the deductibility of executive compensation under the Internal Revenue Code, we take appropriate steps to optimize deductibility except where the best interests of Hexcel call for a different compensation design.

Martin L. Solomon, Chairman
Sandra L. Derickson
Sanjeev K. Mehra
The Members of the Compensation
Committee

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The following directors were members of the compensation committee during 2002: Sandra L. Derickson, Marshall S. Geller, Sanjeev K. Mehra and Martin L. Solomon. Mr. Geller resigned from the board of directors on March 19, 2003. For information regarding our relationship with the Goldman Sachs investors, an affiliate of which Mr. Mehra is a Managing Director, see "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS--Relationship with the Goldman Sachs Investors" contained elsewhere in this proxy statement.

EQUITY COMPENSATION PLAN INFORMATION

PLAN CATEGORY	(A)	(B)	NUMBER REMAINING FUTURE IS COMP (EXCLU REFLECTED
-----	-----	-----	-----
PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS(1)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS(2)	(EXCLU REFLECTED
-----	-----	-----	-----
Equity compensation plans approved by security holders.....	5,720,624(3)	\$10.31	
Equity compensation plans not approved by security holders.....	2,558,166(5)	\$ 7.09	
Total.....	8,278,790	\$ 9.33	

All information provided above is as of December 31, 2002. On March 19, 2003, our shareholders approved the combination, amendment and restatement of the 1998 Broad Based Incentive Stock Plan and the Incentive Stock Plan into a new plan called the "2003 Incentive Stock Plan." On this date the shareholders also approved the 1997 Employee Stock Purchase Plan, as amended and restated.(7) The only equity compensation arrangements in which equity securities were authorized that have not been approved by shareholders are two individual option agreements with our Chief Executive Officer, Mr. Berges. We entered into these two option agreements with Mr. Berges in connection with his employment agreement, as described under the heading "Executive Compensation--Employment and Other Agreements--Employment Agreement with Mr. Berges."

(1) All numbers in this column refer to shares of Hexcel common stock.

(2) Excludes the restricted stock units referred to in notes 4 and 6 below.

(3) Includes 242,486 shares of common stock issuable upon the vesting and conversion of restricted stock units.

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- (4) Includes 1,242,001 shares of common stock available for future issuance under the Hexcel Corporation Incentive Stock Plan in connection with awards, other than options, warrants or rights, that could be granted in the future. Excludes 127,712 shares reserved for issuance under the Management Stock Purchase Plan upon the conversion of restricted stock units.

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- (5) Includes 154,600 shares of common stock issuable upon the vesting and conversion of restricted stock units.
- (6) Includes (i) 19,846 shares of common stock subject to options as of December 31, 2002 under, and purchased in January 2003 pursuant to, the terms of the Hexcel Corporation 1997 Employee Stock Purchase Plan, and (ii) 125,720 shares of common stock that could after December 31, 2002 become subject to options under, and therefore purchased under, the terms of the Hexcel Corporation 1997 Employee Stock Purchase Plan. Also includes 712,868 shares of common stock available for future issuance under the Hexcel Corporation 1998 Broad Based Incentive Stock Plan in connection with awards, other than options, warrants or rights, that could be granted after December 31, 2002.
- (7) A description of the 1997 Employee Stock Purchase Plan and 1998 Broad Based Incentive Stock Plan appears in our proxy statement relating to the special meeting of stockholders held on March 18, 2003, which was filed with the SEC on February 14, 2003.

COMPENSATION OF DIRECTORS

Nonemployee directors are compensated for services as directors with an annual retainer of \$30,000 payable quarterly. Nonemployee directors are also paid \$1,200 for each board of directors meeting and \$600 for each committee meeting attended. Committee chairmen are paid an additional \$3,000 annually and receive a grant of 1,000 nonqualified stock options per year. Mr. Berges does not receive any additional compensation as a member of the board of directors.

In January 2003, the board of directors offered each non-employee director other than Messrs. Mehra and Sacerdote the opportunity to receive his or her 2003 annual retainer in the form of discounted nonqualified stock options. The director may, in lieu of a portion (between 25% and 100%) of his or her annual retainer (including any retainer paid to the director as a committee chairman), elect to receive that number of stock options determined by dividing the dollar amount of such portion by the exercise price of the stock option. The exercise price of each stock option is 50% of the fair market value of a share of Hexcel common stock on the grant date. The options vest ratably over the first year after grant and expire ten years from the date of grant. In accordance with elections made by participating directors, the following nonqualified options were granted on January 6, 2003 at an exercise price of \$1.565 per share to each of the named directors: Mr. Solomon--21,086; Ms. Derickson--14,377; Mr. Geller--10,543; Messrs. Gaffney and Bellows--9,585.

Pursuant to the 2003 Incentive Stock Plan, each person who becomes a director and who is not also a full-time employee of Hexcel is granted, upon election or appointment as a director, a nonqualified option to purchase 10,000 shares of Hexcel common stock with an exercise price equal to the fair market value of Hexcel common stock on the date of grant. The 2003 Incentive Stock Plan further provides that immediately after each annual meeting of stockholders each director who is not also a full-time employee of Hexcel on such date will be granted a nonqualified option to purchase an additional 2,000 shares of Hexcel common stock with an exercise price equal to the fair market value of Hexcel common stock on the date of grant.

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Based on information provided to us, (a) the Goldman Sachs investors are the beneficial owners of all cash and equity-based compensation received by Messrs. Mehra and Sacerdote for their services as directors of Hexcel and (b) the Berkshire/Greenbriar investors are the beneficial owners of all cash and equity-based compensation received by Messrs. Beckman and Small for their services as directors of Hexcel.

PERFORMANCE GRAPH

The following graph indicates our total return to our stockholders during the past five years, as compared to the total returns of the Standard & Poor's 500 Composite Stock Price Index, Media

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General Aerospace/Defense Products and Services Index and a comparator group consisting of companies chosen by the compensation committee in 2001 to reflect the labor market and principal operating competitors existing at the time.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL STOCKHOLDER RETURN

Graphic--Stock Performance Chart

DATE	HEXCEL CORPORATION	COMPARATOR GROUP (1)	S&P 500	MEDIA GENERA AEROSPACE/DEFEN
December 1997.....	\$100.00	\$100.00	\$100.00	\$100.00
December 1998.....	\$ 33.58	\$100.45	\$128.52	\$ 93.15
December 1999.....	\$ 22.31	\$118.49	\$155.53	\$ 74.14
December 2000.....	\$ 35.84	\$132.57	\$141.36	\$ 94.10
December 2001.....	\$ 12.35	\$ 91.78	\$124.63	\$ 85.68
December 2002.....	\$ 12.03	\$ 90.43	\$ 97.15	\$ 83.94

Assumes quarterly reinvestment of dividends.

(1) Comparator group consists of Albemarle Corp., Alliant Techsystems Inc., Corning Inc., Engelhard Corp., Gencorp Inc., General Dynamics Corp., Great Lakes Chemical, H.B. Fuller Co., Hercules Inc., Lockheed Martin Corp., Millennium Chemicals, Inc., Owens Corning, PPG Industries Inc., Raytech Corp., Rohm and Haas Company, SPS Technologies Inc. and W.R. Grace and Co. The return is determined by assuming dividends are reinvested quarterly, adjusting for spin-offs and other special dividends, and weighing the issuers for stock market capitalization on a quarterly basis.

(2) Data provided by Media General Financial Services.

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AUDIT COMMITTEE REPORT

The Audit Committee is responsible for monitoring Hexcel's financial reporting process and internal control systems and for reviewing and appraising the audit efforts of Hexcel's independent public accountants and Hexcel's internal auditors. We also recommend to the board of directors, subject to shareholder ratification, the selection of Hexcel's independent auditors. We

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operate under a written charter adopted and approved by the board of directors on May 20, 1999, which was included as Annex B to the Proxy Statement for the Annual Meeting of Stockholders dated April 2, 2002. The board of directors has determined that each member of the Audit Committee satisfies the requirements of the NYSE to serve as a member of the Audit Committee. Under these requirements, each member must be independent and financially literate, and at least one member must possess accounting or related financial management expertise.

Management is responsible for the financial reporting process, including the system of internal controls, and for the preparation of consolidated financial statements in accordance with Generally Accepted Accounting Principles in the United States. Hexcel's independent auditors are responsible for auditing the financial statements and expressing an opinion as to their conformity with Generally Accepted Accounting Principles in the United States. Our responsibility is to monitor and review these processes.

We held ten meetings in 2002 and held discussions with management and PricewaterhouseCoopers LLP, Hexcel's independent auditors. We also held discussions with Protiviti Inc., which performs the internal audit function for Hexcel. We have reviewed and discussed the consolidated financial statements with management and the independent auditors. We discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

Hexcel's independent auditors also provided the written disclosure and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committee), and we discussed with the independent auditors their independence.

Based on our review and the discussions referred to above, we recommended that the board of directors include Hexcel's audited consolidated financial statements in the Annual Report on Form 10-K and as subsequently amended for the year ended December 31, 2002 filed with the SEC. We have also recommended the selection of Hexcel's independent auditors and, based on our recommendation, the board of directors has selected PricewaterhouseCoopers LLP as Hexcel's independent auditors for 2003, subject to shareholder ratification.

Lewis Rubin, Chairman
H. Arthur Bellows, Jr.
James J. Gaffney
The Members of the Audit Committee

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RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

GENERAL

We are asking the shareholders to ratify the Board of Director's appointment of PricewaterhouseCoopers LLP as our independent auditors for 2003. In the event the appointment of PricewaterhouseCoopers LLP is not ratified, the board of directors will consider the appointment of other independent auditors.

PricewaterhouseCoopers LLP has audited our financial statements annually since 1997. A representative of PricewaterhouseCoopers LLP is expected to be present at the annual meeting. The representative will have an opportunity to make a statement if he desires to do so and will be available to answer appropriate questions from stockholders.

FEES

AUDIT FEES. The aggregate fees billed by PricewaterhouseCoopers LLP for

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professional services rendered for the audit of the Company's annual financial statements for fiscal year 2002, the reviews of the financial statements included in the Company's Forms 10-Q for such fiscal year and services provided in connection with foreign statutory filings relating to such fiscal year were approximately \$765,000. With respect to 2001, the aggregate amount of such fees was approximately \$826,000.

AUDIT-RELATED FEES. The aggregate fees billed by PricewaterhouseCoopers LLP in 2002 for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and which are not included in the amount for 2002 under "Audit Fees" above was approximately \$490,000. Over half of these fees related to services performed in connection with the preferred stock sale and valuation services performed in connection with our sale of a portion of a Japanese joint venture. The remainder of these fees related primarily to an internal European debt restructuring, certain European statutory consolidations and benefit plan audits.

The aggregate fees billed by PricewaterhouseCoopers LLP in 2001 for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and which are not included in the amount for 2001 under "Audit Fees" above was approximately \$101,000. These fees related primarily to analysis of goodwill impairment and realizability of US tax assets, benefits plan audits, accounting relating to foreign currency contracts, management consulting services in Europe and a change in the legal form of our Belgian operating subsidiary.

TAX FEES. The aggregate fees billed by PricewaterhouseCoopers LLP in 2002 for professional services rendered for tax compliance, tax advice and tax planning was approximately \$84,000. These fees related primarily to European tax compliance, review of certain European intercompany distribution agreements, a German tax audit, and transfer pricing analysis.

The aggregate fees billed by PricewaterhouseCoopers LLP in 2001 for professional services rendered for tax compliance, tax advice and tax planning was approximately \$130,000. These fees related to European tax compliance, transfer pricing analysis, deferred compensation matters and analysis of a valuation allowance relating to an internal technology transfer.

FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES. There were no fees billed by PricewaterhouseCoopers LLP for services rendered in connection with financial information systems design and implementation during the fiscal years ended December 31, 2002 and 2001.

ALL OTHER FEES. There were no fees billed by PricewaterhouseCoopers LLP for professional services rendered to us during the fiscal years ended December 31, 2002 and 2001, other than as described above.

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The audit committee has determined that the provision of all non-audit services performed by PricewaterhouseCoopers LLP during the fiscal years ended December 31, 2002 and 2001 was compatible with maintaining its independence.

VOTE REQUIRED

The ratification of the appointment of PricewaterhouseCoopers LLP requires the vote of a majority of the votes cast in person or by proxy at the annual meeting once a quorum is present. Brokers may vote shares held for a customer without specific instructions from the customer. Abstentions will be disregarded and will have no effect on the outcome of the vote.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE

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RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

GENERAL

On March 19, 2003, we consummated the preferred stock sale and issued 77,875 shares of series A preferred stock and 77,875 shares of series B preferred stock to the Berkshire/Greenbriar investors for \$77,875,000 in cash. As part of the preferred stock sale we also issued 47,125 shares of series A preferred stock and 47,125 shares of series B preferred stock to the Goldman Sachs investors for \$47,125,000 in cash. These purchases were made under the terms of separate stock purchase agreements we entered into with each of the Goldman Sachs investors and the Berkshire/Greenbriar investors on December 18, 2002. Each of the Goldman Sachs investors and the Berkshire/Greenbriar investors obtained the funds for the purchase of the preferred stock through capital contributions by their investors.

Upon the consummation of the preferred stock sale, we entered into an amended and restated governance agreement and an amended and restated registration rights agreement with the Goldman Sachs investors, and a stockholders agreement and a registration rights agreements with the Berkshire/Greenbriar investors. Each of these agreements, and each of the stock purchase agreements, is summarized below.

On December 19, 2000, LXH, L.L.C. and LXH II, L.L.C., two limited liability companies which are Goldman Sachs investors, acquired 14,525,000 shares of Hexcel common stock from Ciba Specialty Chemicals Holding Inc. for an aggregate purchase price of \$159,775,000. We refer to these two limited liability companies as the "LXH purchasers" and to Ciba Specialty Chemicals Holding Inc. as "Ciba." The purchase price was comprised of \$123,462,500 in cash and two 7.5% secured promissory notes due 2004 issued by the LXH purchasers to Ciba for an aggregate principal amount of \$36,312,500. At the time of this purchase, we entered into a governance agreement and registration rights agreement with the Goldman Sachs investors, each of which was amended and restated upon the closing of the preferred stock sale. In addition, we entered into an agreement dated October 11, 2000 in which we made representations and warranties to the LXH purchasers and provided the LXH purchasers with indemnification, subject to limitations, for losses suffered as a result of breaches by us of the representations and warranties. This agreement with the LXH purchasers is summarized below.

Prior to the purchase by the LXH purchasers, we were party to a governance agreement with Ciba under which Ciba had the right to designate four members to our board of directors. In connection with the purchase by the LXH purchasers, we entered into a consent and termination agreement with Ciba that required Ciba to cause its four existing board designees to resign from our board of directors and terminated the governance agreement with Ciba. This agreement is summarized below. Based on information provided to us by Ciba, Ciba is currently the beneficial owner of 2,290,448 shares of our common stock, representing approximately 5.8% of our issued and outstanding common stock and 2.6% of our total voting power.

RELATIONSHIP WITH THE GOLDMAN SACHS INVESTORS AND THE BERKSHIRE/GREENBRIAR INVESTORS

STOCK PURCHASE AGREEMENTS

On December 18, 2002, we entered into separate stock purchase agreements with each of the Goldman Sachs investors and the Berkshire/Greenbriar investors

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in which all parties agreed to consummate the preferred stock sale. The stock purchase agreements contained similar, but not identical, terms including customary representations and warranties, covenants, closing conditions, "no-shop" and termination provisions, and provided for the payment by us of certain fees to, and expenses of, the Goldman Sachs investors and the Berkshire/Greenbriar investors. The stock purchase agreement with the Goldman Sachs investors also required the Goldman Sachs investors to vote their common stock in favor of the preferred stock sale and related matters, subject to conditions.

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Under the stock purchase agreements, we agreed to indemnify the Berkshire/Greenbriar investors and the Goldman Sachs investors for any losses they incur arising from a breach of any representations, warranties or covenants made by us, or from any actual or threatened litigation against them in connection with the preferred stock sale. The Berkshire/Greenbriar investors and the Goldman Sachs investors agreed to indemnify us for any losses we incur arising from a breach of any of their respective representations, warranties or covenants.

With respect to any indemnification claims made by any party for breaches of representations and warranties, the party providing indemnification is responsible only for amounts in excess of \$2 million. The maximum amount payable by a party providing indemnification is \$20 million in the case of the Berkshire/Greenbriar stock purchase agreement, and \$10 million in the case of the Goldman Sachs stock purchase agreement. However, the maximum amount payable by us for losses incurred due to our breach of the representations and warranties relating to our SEC filings is equal to the purchase price provided for in the relevant stock purchase agreement.

GOVERNANCE AGREEMENT AND STOCKHOLDERS AGREEMENT

CORPORATE GOVERNANCE. Under the governance agreement, we have agreed to cause any slate of nominees for election to the board of directors to consist of up to three nominees of the Goldman Sachs investors. Under the stockholders agreement, we have agreed to cause any slate of nominees for election to the board of directors to consist of up to two nominees of the Berkshire/Greenbriar investors. The remaining nominees must be independent of the Goldman Sachs investors and the Berkshire/Greenbriar investors. You should read the discussion under "Election of Directors" for information regarding exactly how many directors the Goldman Sachs investors and the Berkshire/Greenbriar investors are entitled to nominate, which varies based on the percentage of total voting power held by the Goldman Sachs investors and the Berkshire/Greenbriar investors.

The Goldman Sachs investors currently beneficially own approximately 37.7% of Hexcel's total voting power, and the Berkshire/Greenbriar investors currently beneficially own approximately 35.1% of Hexcel's total voting power. Accordingly, the board of directors is comprised of the following persons:

- Sanjeev K. Mehra, James J. Gaffney and Peter M. Sacerdote, each of whom is a nominee of the Goldman Sachs investors;
- Joel S. Beckman and Robert J. Small, each of whom is a nominee of the Berkshire/Greenbriar investors; and
- H. Arthur Bellows, Jr., David E. Berges (Chairman), Sandra L. Derickson, Lewis Rubin and Martin L. Solomon, each of whom is an independent nominee.

The governance agreement further provides that so long as the Goldman Sachs investors are entitled to designate two or more nominees for election to the

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board of directors, each committee of the board of directors shall consist of at least one director nominated by the Goldman Sachs investors. The stockholders agreement provides that so long as the Berkshire/Greenbriar investors are entitled to designate two or more nominees for election to the board of directors, each committee of the board of directors shall consist of at least one director nominated by the Berkshire/Greenbriar investors. However, if under the listing standards of the New York Stock Exchange or any other applicable law or rule, no Goldman Sachs investor nominee or Berkshire/Greenbriar nominee is eligible to serve on a particular committee, then that committee will consist solely of non-Goldman Sachs directors and/or non-Berkshire/Greenbriar directors, as the case may be. New directors chosen to fill vacancies on the board of directors are selected as follows:

- if the vacancy is created as a result of a nominee of the Goldman Sachs investors ceasing to serve as a member of the board of directors, then the Goldman Sachs investors shall designate the new director;

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- if the vacancy is created as a result of a nominee of the Berkshire/Greenbriar investors to serve as a member of the board of directors, then the Berkshire/Greenbriar investors shall designate the new director; or
- if the new director is to be an independent director, the remaining independent directors shall designate the new director.

If the percentage of total voting power held by the Goldman Sachs investors or the Berkshire/ Greenbriar investors decreases, or the Goldman Sachs investors or the Berkshire/Greenbriar investors transfer some of the shares of capital stock held by them, in either case such that the number of directors the Goldman Sachs investors or the Berkshire/Greenbriar investors is entitled to nominate would decrease, then the Goldman Sachs investors or the Berkshire/Greenbriar investors, as the case may be, must cause an appropriate number of directors nominated by the Goldman Sachs investors or the Berkshire/Greenbriar investors, as the case may be, to resign. Any vacancies created by these resignations would be filled by the non-Goldman Sachs directors or non-Berkshire/Greenbriar directors, as the case may be.

APPROVALS. Pursuant to the stockholders agreement and the governance agreement, for so long as the Berkshire/Greenbriar investors or the Goldman Sachs investors beneficially own at least 15% of the total voting power of our voting securities, our board of directors may not approve any of the following actions without the approval of a majority of the directors nominated by the Berkshire/Greenbriar investors and/or a majority of the directors nominated by the Goldman Sachs investors, as the case may be:

- any merger or other business combination involving us, other than a "buyout transaction" (as defined below under "Buyout Transactions"), if the value of the transaction, when added together with the value of all similar transactions during the previous 12 months, exceeds the greater of \$75 million and 11% of our total assets;
- any sale, transfer, conveyance, lease or other disposition or series of related dispositions of any of our assets, businesses or operations, other than a buyout transaction, if the value of the assets, business or operations disposed of in this manner during the prior 12 months exceeds the greater of \$75 million and 11% of our total consolidated assets; or
- any issuance by us or any of our significant subsidiaries of equity securities, with exceptions for employee and director benefit plans,="margin-bottom:0pt;mar

Current liabilities:

Short-term borrowings

\$

280.5

\$

130.4

Current portion of long-term debt

34.7

1.1

Accounts payable

716.6

638.7

Deferred taxes

8.6

4.8

Liabilities held for sale

—

6.1

Accrued restructuring costs

65.7

55.8

Other current liabilities

877.1

894.0

Total current liabilities

1,983.2

1,730.9

Long-term debt, less current portion

4,334.9

4,282.5

Non-current deferred taxes

146.3

161.5

Other non-current liabilities

679.9

704.0

Total liabilities

7,144.3

6,878.9

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$0.10 par value per share, 50,000,000 shares authorized; no shares issued in 2015 and 2014

—

—

Common stock, \$0.10 par value per share, 400,000,000 shares authorized; shares issued:
225,612,687 in 2015 and 224,683,653 in 2014; shares outstanding: 197,651,615 in 2015 and
210,531,894 in 2014

22.6

22.5

Additional paid-in capital

1,843.6

1,787.0

Retained earnings

577.9

448.5

Common stock in treasury, 27,961,072 shares in 2015 and 14,151,759 shares in 2014

(1,188.9

)

(481.4

)

Accumulated other comprehensive loss, net of taxes

(813.2

)

(613.8

)

Total stockholders' equity

442.0

1,162.8

Total liabilities and stockholders' equity

\$

7,586.3

\$

8,041.7

See accompanying notes to condensed consolidated financial statements.

⁽¹⁾During the second quarter of 2015, we completed the sale of our North American foam trays and absorbent pads business. During the first quarter of 2015, the assets and liabilities met the criteria of held for sale classification. Accordingly, we reclassified \$42 million of assets and \$6 million of liabilities as held for sale as of December 31,

2014. Refer to Note 3, “Divestitures and Acquisitions” of the notes to condensed consolidated financial statements for further details.

SEALED AIR CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	(unaudited)		(unaudited)	
(In millions, except share data)	2015	2014	2015	2014
Net sales	\$1,746.2	\$1,975.5	\$5,277.6	\$5,776.8
Cost of sales	1,109.6	1,279.4	3,327.6	3,761.5
Gross profit	636.6	696.1	1,950.0	2,015.3
Selling, general and administrative expenses	400.6	468.8	1,243.7	1,377.8
Amortization expense of intangible assets acquired	21.8	30.4	67.4	92.8
Stock appreciation rights (benefit) expense	(0.4)	1.0	4.1	3.2
Restructuring and other charges	38.4	11.4	68.0	31.6
Operating profit	176.2	184.5	566.8	509.9
Interest expense	(54.8)	(69.7)	(172.3)	(222.1)
Impairment of equity method investment	—	—	—	(5.7)
Foreign currency exchange loss related to Venezuelan subsidiaries	(1.0)	(4.1)	(30.7)	(18.9)
Gain from Claims Settlement	—	—	—	21.1
Gain (loss) on debt redemption and refinancing activities	0.6	(17.7)	(110.7)	(18.5)
Gain (loss) on sale of business	(0.5)	—	28.7	—
Other income (expense), net	5.5	4.5	18.4	5.8
Earnings before income tax provision	126.0	97.5	300.2	271.6
Income tax provision	39.4	36.7	88.3	79.8
Net earnings available to common stockholders	\$86.6	\$60.8	\$211.9	\$191.8
Net earnings per common share:				
Basic	\$0.43	\$0.29	\$1.02	\$0.91
Diluted	\$0.42	\$0.28	\$1.01	\$0.89
Dividends per common share	\$0.13	\$0.13	\$0.39	\$0.39
Weighted average number of common shares outstanding:				
Basic	202.9	210.4	206.7	210.2
Diluted	205.8	213.5	209.5	215.3

See accompanying notes to condensed consolidated financial statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss)

(In millions)	Three Month Ended September 30,		Nine Month Ended September 30,	
	(unaudited)		(unaudited)	
	2015	2014	2015	2014
Net earnings available to common stockholders	\$86.6	\$60.8	\$211.9	\$191.8
Other comprehensive (loss) income, net of taxes:				
Recognition of deferred pension items, net of taxes of \$(0.6) for the three months ended September 30, 2015, \$(2.9) for the three months ended September 30, 2014, \$(1.2) for the nine months ended September 30, 2015 and \$(3.0) for the nine months ended September 30, 2014	2.0	1.9	9.4	5.4
Unrealized losses on derivative instruments for net investment hedge, net of taxes of \$(0.9) for the three months ended September 30, 2015 and \$9.9 for the nine months ended September 30, 2015	4.9	—	(14.4)	—
Unrealized losses on derivative instruments for cash flow hedge, net of taxes of \$1.4 for the three months ended September 30, 2015, \$(0.8) for the three months ended September 30, 2014, \$0.9 for the nine months ended September 30, 2015 and \$0.4 for the nine months ended September 30, 2014	1.9	4.3	2.7	1.1
Foreign currency translation adjustments	(137.9)	(131.7)	(197.1)	(109.9)
Other comprehensive (loss) income, net of taxes	(129.1)	(125.5)	(199.4)	(103.4)
Comprehensive (loss) income, net of taxes	\$(42.5)	\$(64.7)	\$12.5	\$88.4

See accompanying notes to condensed consolidated financial statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In millions)	Nine Months Ended September 30,	
	(unaudited)	
	2015	2014
Net earnings available to common stockholders	\$211.9	\$191.8
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation and amortization	162.0	205.0
Share-based incentive compensation	49.1	36.8
Profit sharing expense	26.3	28.3
Loss on debt redemption and refinancing activities	110.7	18.5
Remeasurement loss related to Venezuelan subsidiaries	30.7	18.9
Development grant matter	—	14.0
Impairment on equity method investment	—	5.7
Asset impairment	—	7.4
Provisions for bad debt	3.3	5.4
Provisions for inventory obsolescence	2.9	10.3
Gain from Claims Settlement	—	(21.1)
Deferred taxes, net	(1.2)	0.2
Net gain on disposals of property and equipment and other	(3.6)	(2.7)
Gain on sale of business	(35.6)	—
Other non-cash items	(8.3)	4.9
Changes in operating assets and liabilities:		
Trade receivables, net	(45.0)	(62.5)
Inventories	(127.7)	(121.8)
Other assets	(34.3)	(28.5)
Accounts payable	115.0	159.1
Settlement agreement and related items	235.2	(929.7)
Other liabilities	(12.8)	(4.8)
Net cash provided by (used in) operating activities	678.6	(464.8)
Cash flows from investing activities:		
Capital expenditures	(112.3)	(93.8)
Proceeds from sale of business	75.6	—
Businesses acquired in purchase transactions, net of cash and cash equivalents acquired	(23.5)	(3.6)
Proceeds from sales of property, equipment and other assets	32.4	8.7
Settlement of foreign currency forward contracts	34.7	9.1
Net cash provided by (used in) investing activities	6.9	(79.6)
Cash flows from financing activities:		
Net proceeds from borrowings	257.8	233.8
Dividends paid on common stock	(81.2)	(83.9)
Acquisition of common stock for tax withholding obligations under our Omnibus stock plan and 2005	(8.7)	(2.9)

Contingent Stock Plan		
Repurchases of common stock	(685.7)	(134.0)
Payments for debt extinguishment/issuance costs	(108.3)	(12.3)
Net cash (used in) provided by financing activities	(626.1)	0.7
Effect of foreign currency exchange rate changes on cash and cash equivalents	(47.7)	(28.0)
Balance, beginning of period	322.6	992.4
Net change during the period	11.7	(571.7)
Balance, end of period	\$334.3	\$420.7
Supplemental Cash Flow Information:		
Interest payments, net of amounts capitalized	\$169.1	\$660.6
Income tax payments	\$78.8	\$65.8
Stock appreciation rights payments (less amounts included in restructuring payments)	\$20.0	\$18.0
Restructuring payments including associated costs	\$71.7	\$75.8
Non-cash items:		
Transfers of shares of our common stock from treasury for our 2014 and 2013 profit-sharing plan		
contributions	\$36.7	\$33.2
Transfer of shares of our common stock as part of the funding of the Settlement agreement	\$—	\$1.8

See accompanying notes to condensed consolidated financial statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Note 1 Organization and Basis of Presentation

Organization

We are a global leader in food safety and security, facility hygiene and product protection. We serve an array of end markets including food and beverage processing, food service, retail, healthcare and industrial, and commercial and consumer applications. Our focus is on achieving quality sales growth through leveraging our geographic footprint, technological know-how and leading market positions to bring measurable, sustainable value to our customers and investors.

We conduct substantially all of our business through three wholly-owned subsidiaries, Cryovac, Inc., Sealed Air Corporation (US) and Diversey, Inc. Throughout this report, when we refer to “Sealed Air,” the “Company,” “we,” “our,” or “us,” we are referring to Sealed Air Corporation and all of our subsidiaries, except where the context indicates otherwise.

Basis of Presentation

Our condensed consolidated financial statements include all of the accounts of the Company and our subsidiaries. We have eliminated all significant intercompany transactions and balances in consolidation. In management’s opinion, all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of our condensed consolidated balance sheet as of September 30, 2015 and our condensed consolidated statements of operations for the three and nine months ended September 30, 2015 and 2014 have been made. The results set forth in our condensed consolidated statements of operations for the nine months ended September 30, 2015 and in our condensed consolidated statements of cash flows for the nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the full year. All amounts are in millions, except per share amounts, and approximate due to rounding. Some prior period amounts have been reclassified to conform to the current year presentation. These reclassifications, individually and in the aggregate, did not have a material impact on our condensed consolidated financial condition, results of operations or cash flows.

Our condensed consolidated financial statements were prepared in accordance with the interim reporting requirements of the SEC. As permitted under those rules, annual footnotes or other financial information that are normally required by U.S. GAAP have been condensed or omitted. The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in our condensed consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

We are responsible for the unaudited condensed consolidated financial statements and notes included in this report. As these are condensed financial statements, they should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 as filed with the SEC on February 27, 2015 (“2014 Form 10-K”) and with the information contained in other publicly-available filings with the SEC.

During the first quarter of 2015, we entered into an asset purchase agreement with NOVIPAX, a portfolio company of Atlas Holdings LLC, to sell our North American foam trays and absorbent pads business. During the three months ended March 31, 2015, the North American foam trays and absorbent pads business met the held for sale criteria and

was classified as such in all periods presented in our condensed consolidated balance sheets. As a result, all applicable balances in prior periods have been reclassified to held for sale. Refer to Note 3, “Divestitures and Acquisitions” of the notes to condensed consolidated financial statements for further details.

As of April 15, 2015, we realigned our regional organization. There was no change to our previously reported Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, Consolidated Statements of Stockholders’ Equity or Consolidated Statements of Cash Flows due to our change in regional organization. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further details on the realignment.

For the nine months ended September 30, 2014, certain amounts related to foreign currency gains and losses, including the remeasurement loss related to Venezuelan subsidiaries in 2014, and the settlement of foreign currency forward contracts were misclassified on the Condensed Consolidated Statement of Cash Flows. The reclassification of these items in the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2014 resulted in a decrease in cash used in operating activities of \$16.9 million, a decrease to cash used in investing activities of \$9.1 million, and a decrease of \$26.0 million due to the effect of foreign currency exchange rate changes on cash.

For the six months ended June 30, 2015 and the nine months ended September 30, 2014, foreign currency translation adjustments were misclassified on the Condensed Consolidated Statement of Comprehensive Income in deferred pension items and unrealized losses on cash flow hedge derivative instruments. The reclassification of these items in the Condensed Consolidated Statement of Comprehensive Income for the six months ended June 30, 2015 resulted in a decrease in recognition of deferred pension items of \$8.2 million, an increase in unrealized losses on derivative instruments for cash flow hedge of \$1.1 million, and an increase in the foreign currency translation adjustments of \$7.1 million. For the nine months ended September 30, 2014, these reclassifications resulted in a decrease in recognition of deferred pension items of \$7.9 million, an increase in unrealized losses on derivative instruments for cash flow hedge of \$0.3 million, and an increase in the foreign currency translation adjustments of \$7.6 million. These classification adjustments did not result in a change to Total stockholder's equity.

Changes in Accounting/Retrospective Application

During the fourth quarter of 2014, we changed the method of valuing our inventories that were valued using the last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method. As a result of this accounting change, inventories, retained earnings, non-current deferred tax liability, net earnings (loss) available to common stockholders, basic earnings per share and diluted earnings per share, among other accounts, have been retrospectively changed.

As a result of the accounting change, all of our inventories are now determined using the FIFO method. We state inventories at the lower of cost or market.

Impact of Inflation and Currency Fluctuation

Venezuela

Economic and political events in Venezuela have continued to expose us to heightened levels of foreign currency exchange risk. Accordingly, Venezuela has been designated a highly inflationary economy under U.S. GAAP, and the U.S. dollar replaced the bolivar fuerte as the functional currency for our subsidiaries in Venezuela. All bolivar-denominated monetary assets and liabilities are re-measured into U.S. dollars using the current exchange rate available to us, and any changes in the exchange rate are reflected in foreign currency exchange gains and losses related to our Venezuelan subsidiaries on the condensed consolidated statements of operations.

Based on changes to the Venezuelan currency exchange rate mechanisms, in the first quarter of 2014, we changed the exchange rate we used to re-measure our Venezuelan subsidiaries' financial statements into U.S. dollars. As a result, as of September 30, 2014 our excess cash position in our Venezuelan subsidiaries was re-measured at the SICAD 2 rate resulting in an \$18.9 million loss for the nine months ended September 30, 2014.

In February 2015, the Venezuelan government announced a new foreign exchange platform called the Marginal Currency System or SIMADI. The SIMADI basically replaced the SICAD 2 rate as noted above. When this market opened on February 12, 2015 the rate was 170 and then at September 30, 2015 it was 199. The SICAD 1 and the SICAD 2 were merged into the SICAD. The opening rate was 12 for the SICAD and at September 30, 2015 it was 13.5. In addition, the CENCOEX will continue and provide preferential treatment for certain import operations such as food and medicines.

Since these changes were announced by the Venezuelan government, the new SIMADI market has had very little activity and companies have not been able to access this market to obtain U.S. dollars. In addition, the SICAD rate which is established via auctions has had no auctions held since October 2014. However, in June 2015 an auction was held for the automotive parts and school supplies industries.

Therefore, there are now three legal mechanisms at this time to exchange bolivars for US dollars:

- CENCOEX at the official rate of 6.3
- SICAD auction process at the awarded exchange rate (opening rate at 12 and at September 30, 2015 it was 13.5)
- SIMADI at the negotiated rate (rate of 199 at September 30, 2015)

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At September 30, 2015, we evaluated which legal mechanisms were available to our Venezuelan subsidiaries to access U.S. dollars. As of September 30, 2015 consistent with June 30, 2015, we concluded that we will continue to use the SIMADI rate to remeasure our bolivar denominated monetary assets and liabilities since it is our only legally available option and our intent on a go-forward basis to utilize this market to settle any future transactions based on the current facts and circumstances. The SIMADI rate as of September 30, 2015 was 199. During 2015, the Company did not receive U.S. dollars via the CENCOEX official rate of 6.3. We expect that we will only have limited access to the CENCOEX market to settle certain past transactions. However, if the option becomes available to us to use the CENCOEX in the future, the Company will consider this further. In addition, there have been no SICAD auctions for the food or chemical industries as of September 30, 2015. During 2015, we have only been able to access the SIMADI market and during the second and third quarters of 2015 only received minimal amounts of U.S. dollars. For any U.S. dollar denominated monetary asset or liability, such amounts do not get remeasured at month-end since it is already an asset or liability denominated in U.S. dollars. As a result of this evaluation, the Company reported a remeasurement loss of \$30.7 million for the nine months ended September 30, 2015 and \$1.0 million for the three months ended September 30, 2015. We will continue to evaluate each reporting period the appropriate exchange rate to remeasure our financial statements based on the facts and circumstances at that time.

For the three months and nine months ended September 30, 2015, approximately 1% of our consolidated net sales and operating income were derived from our businesses in Venezuela. As of September 30, 2015, we had net assets of \$7 million in Venezuela, which included cash and cash equivalents of \$2 million. Also, as of September 30, 2015, our Venezuelan subsidiaries had a negative cumulative translation adjustment balance of \$46 million.

Note 2 Recently Issued Accounting Standards

In September 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates (“ASU”) 2015-16 – Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This ASU requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments amounts are determined. The ASU also requires that in the same period, the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in ASU 2015-16 are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years and will be applied prospectively for adjustments to provisional amounts that occur after that date. Earlier application is permitted for financial statements that have not been issued. The impact of ASU 2015-16 will depend on any future events whereby we have any business combinations and any adjustments to the provisional amounts identified during the measurement period are recorded.

In August 2015, the FASB issued ASU 2015-15, Interest—Imputation of Interest (Subtopic 835-30), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements — Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update) (“ASU 2015-15”). This ASU clarifies that as line of credit arrangements were not specifically discussed in ASU 2015-03, companies can continue to present debt issuance costs for line of credit arrangements as an asset and subsequently amortize the deferred issuance cost ratably over the term of the arrangement. The amendments in ASU 2015-15 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. We are currently in the process of evaluating this new standard update.

In August 2015, the FASB issued ASU 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient (“ASU 2015-12”). This ASU designates contract value as the only required measure for fully benefit-responsive investment contracts; simplifies the investment disclosure requirements under Accounting

Standards Codification (“ASC”) topic 820 for fair value, and topics 960, 962 and 965 for employee benefit plans; and provides a similar measurement date practical expedient for employee benefit plans. The amendments in ASU 2015-12 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. We are currently in the process of evaluating this new standard update.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory (“ASU 2015-11”), which applies to inventory valued at first-in, first-out (FIFO) or average cost. ASU 2015-11 requires inventory to be measured at the lower of cost and net realizable value, rather than at the lower of cost or market. ASU 2015-11 is effective on a prospective basis for annual periods, including interim reporting periods within those periods, beginning after December 15, 2016. We are currently in the process of evaluating this new standard update.

In June 2015, the FASB issued ASU 2015-10, “Technical Corrections and Improvements.” This ASU corrects for differences between original guidance and the ASC and makes minor improvements affecting several topics. We are currently in the process of evaluating this standard, but do not expect its adoption to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement (“ASU 2015-05”). This ASU will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. It provides guidance about whether a cloud computing arrangement includes a software license. The amendments in ASU 2015-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. An entity can elect to adopt either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. We are currently in the process of evaluating this new standard update.

In April 2015, the FASB issued ASU 2015-03 Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). This ASU will simplify the presentation of debt issuance costs. It will require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15, Interest—Imputation of Interest (Subtopic 835-30), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements — Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update) (“ASU 2015-15”). This ASU clarifies that as line of credit arrangements were not specifically discussed in ASU 2015-03, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-15 should be adopted concurrent with the adoption of ASU 2015-03. The amendments in ASU 2015-03 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. We are currently in the process of evaluating this new standard update.

In November 2014, the FASB issued ASU 2014-17, “Business Combinations (Topic 805): Pushdown Accounting (a consensus of the FASB Emerging Issues Task Force),” (“ASU 2014-17”). ASU 2014-17 provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The amendments in ASU 2014-17 are effective November 18, 2014 and an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. The effects of ASU 2014-17 will depend on any future events whereby we obtain control of an entity and elect to apply pushdown accounting.

In June 2014, the FASB issued ASU 2014-12, “Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period,” (“ASU 2014-12”). ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Prior to the issuance of ASU 2014-12, U.S. GAAP did not contain explicit guidance on how to account for those share-based payments. Many reporting entities accounted for performance targets that could be achieved after the requisite service period as performance conditions that affect the vesting of the award and, therefore, did not reflect the performance target in the estimate of the grant-date fair value of the award. Other reporting entities treated those performance targets as non-vesting conditions that affected the grant-date fair value of the award. We currently treat performance targets that affect vesting as a performance condition and, as such, it is not included in the grant-date fair value. Therefore, the impact upon adoption would not be material to our consolidated financial position or results of operations. The amendments in ASU 2014-12 are effective for fiscal years and interim periods within those years, beginning after December 15, 2015. Earlier application is permitted.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” (“ASU 2014-09”). Previous revenue recognition guidance in U.S. GAAP comprised broad revenue recognition concepts together with numerous revenue requirements for particular industries or transactions, which sometimes resulted in different accounting for economically similar transactions. The core principle of the guidance is that an entity should recognize revenue to

depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principal, five steps are required to be applied. In addition, ASU 2014-09 expands and enhances disclosure requirements which require disclosing sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This includes both qualitative and quantitative information. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," ("ASU 2015-14"). The amendments in ASU 2015-14 delay the effective date of ASU 2014-09 by one year to annual reporting periods beginning after December 15, 2017 and allow early adoption as of the original public entity effective date. We are currently in the process of evaluating this new standard update.

Note 3 Divestitures and Acquisitions

Sales of North American foam trays and absorbent pads business

On April 1, 2015, we completed the sale of our North American foam trays and absorbent pads business to NOVIPAX, a portfolio company of Atlas Holdings LLC, for net proceeds of \$76 million, net of certain purchase price adjustments of \$6 million and subject to final purchase price adjustment. The decision to sell this business was based on managements' assessment that the business was becoming quickly commoditized and faced significant competitive pricing pressure and declining profit margins. The sale included our manufacturing facilities in Paxinos and Reading, PA, Indianapolis, IN, Rockingham, NC, and Grenada, MS. After transaction costs of \$7 million, we recorded a pre-tax gain of \$29 million (\$19 million, net of tax) on the sale, which is included in net earnings available to common shareholders in the condensed consolidated statement of operations for the nine months ended September 30, 2015.

The North American foam trays and absorbent pads business was part of the Company's Food Care division. The disposal of the North American foam trays and absorbent pads business did not qualify as a discontinued operation.

The carrying amounts of assets and liabilities at disposition on April 1, 2015 are excluded from our Condensed Consolidated Balance Sheet as of September 30, 2015. The carrying value of the major classes of assets and liabilities for the business at the date of disposition and on December 31, 2014 were as follows:

(In millions)	April 1, 2015	December 31, 2014
Assets:		
Other receivables	\$—	\$ 0.1
Inventories	13.2	12.3
Prepaid expenses	0.1	0.1
Property and equipment, net	22.6	22.6
Goodwill	6.9	6.9
Assets held for sale	\$42.8	\$ 42.0
Liabilities:		
Accrued liabilities	2.7	6.1
Liabilities held for sale	\$2.7	\$ 6.1

For the nine months ended September 30, 2015, and for the three and nine months ended September 30, 2014, the North American foam trays and absorbent pads businesses contributed approximately \$53 million, \$53 million, and \$162 million of net sales; and \$10 million, \$9 million and \$29 million of pre-tax income, respectively, which excludes certain allocated costs, including corporate support services, for which the Company would normally include in measuring its performance.

In connection with the sale, the Company and NOVIPAX entered into various other agreements, including an Intellectual Property License Agreement, Supply Agreements, a Sublease Agreement, Temporary Occupancy License Agreements and a Transition Service Agreement.

Acquisition of Intellibot Robotics, LLC

During the first quarter of 2015, we acquired the business of Intellibot Robotics LLC, a U.S.-based privately owned company that has pioneered the development of robotic commercial floor cleaning machines. The purchase price was \$18 million which included cash paid of \$9 million and \$9 million related to the fair value of contingent consideration. The net assets acquired, which primarily included intangible assets, were \$11 million which resulted in goodwill of \$7 million.

Acquisition of B+ Equipment

During the third quarter of 2015, we acquired the business of B+ Equipment, a company headquartered in France that designs, manufactures and services automated packaging equipment for order fulfillment operations. The purchase price was \$20 million which included an immaterial amount of contingent consideration. The net assets consisted of \$13 million of primarily intangible assets and \$7 million of goodwill.

Note 4 Segments

The Company's segment reporting structure consists of three reportable segments and an "Other" category and is as follows:

- Food Care;
- Diversey Care;
- Product Care; and
- Other (includes Corporate, Medical Applications and New Ventures businesses)

The Company's Food Care, Diversey Care and Product Care segments are considered reportable segments under FASB ASC Topic 280. Our reportable segments are aligned with similar groups of products. Other includes Corporate and the Medical Applications and New Ventures businesses. Other includes certain costs that are not allocated to the reportable segments, primarily consisting of unallocated corporate overhead costs, including administrative functions and cost recovery variances not allocated to the reportable segments from global functional expenses.

Other also includes restructuring and other associated costs, expenses related to stock appreciation rights ("SARs"), which were issued in connection with the acquisition of Diversey in 2011, loss on debt redemptions and foreign currency exchange gains/losses related to Venezuelan subsidiaries and other one-time expenses and/or gains.

We allocate and disclose depreciation and amortization expense to our segments, although property and equipment, net is not allocated to the segment assets, nor is depreciation and amortization included in the segment performance metric Adjusted EBITDA. We also disclose restructuring and other charges and impairment of goodwill and other intangible assets by segment, although these items are not included in the segment performance metric Adjusted EBITDA since restructuring and other charges and impairment of goodwill and other intangible assets are categorized as special items as discussed above. The accounting policies of the reportable segments and Other are the same as those applied to the consolidated financial statements.

The following tables show Net Sales and Adjusted EBITDA by our segment reporting structure:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Sales:				
Food Care	\$836.4	\$983.5	\$2,562.8	\$2,849.9
As a % of Total Company net sales	47.9 %	49.8		